HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JANUARY 22, 2014
APPLICATION SUMMARY

NAME OF PROJECT:	The Village at Germantown
PROJECT NUMBER:	CN1310-039
ADDRESS:	7930 Walking Horse Circle Germantown, (Shelby County), Tennessee 38138
LEGAL OWNER:	The Village at Germantown, Inc. 7930 Walking Horse Circle Germantown, (Shelby County), Tennessee 38138
OPERATING ENTITY:	CRSA/LCS Management, LLC 3350 Players Club Parkway, Suite 300 Memphis, (Shelby County), Tennessee 38125
CONTACT PERSON:	John Wellborn (615) 665-2022
DATE FILED:	October 15, 2013
PROJECT COST:	$5,654,232.00
FINANCING:	Tax-Exempt Bonds
REASON FOR FILING:	The addition of twenty (20) Medicare skilled nursing home beds to an existing thirty (bed) Medicare skilled nursing home. ***The 20 nursing home beds are subject to the 125 bed Nursing Home Bed Pool for the July 2013 to June 2014 state fiscal year period.***

DESCRIPTION:

The Village at Germantown (VGT) is seeking approval to add twenty (20) Medicare certified nursing home beds to an existing thirty (30) bed Medicare certified skilled nursing home. This skilled nursing facility is part of a continuing care retirement community (CCRC) that in addition to the nursing home offers assisted living and independent living options on its 27.5-acre campus.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

NURSING HOME SERVICES

A. Need

1. **According to TCA 68-11-108, the need for nursing home beds shall be determined by applying the following population-based statistical methodology:**

County bed need = .0005 x pop. 65 and under, plus
.0120 x pop. 65-74, plus
.0600 x pop. 75-84, plus
.1500 x pop. 85, plus

See step 2 below for the Nursing Home Bed Need calculation.

2. **The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.**

Based on the projected population for Shelby County, the Tennessee Department of Health's Division of Health Statistics used the above formula to calculate a need of 5,045 nursing home beds for the applicant's declared service area, Shelby County.

It appears that this criterion has been met.

3. **The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.**

According to the Tennessee Department of Health's Division of Health Statistics, there currently are 3,976 nursing home beds in Shelby County. There are also 148 outstanding CON-approved but unimplemented beds in Shelby County for a current inventory of 4,124 nursing home beds. By subtracting the 4,124 nursing home bed inventory from the 5,045 nursing home beds needed, the result is a net need for 921 nursing home beds in Shelby County.

It appears the application meets this criterion.

**Note to Agency Members Regarding Bed Need Formula: The formula was included in a 1996 amendment to the statute governing the development of new nursing home beds. The formula was based upon a population-based methodology that did not consider levels of care (skilled or non-skilled) or payment sources (Medicare, Medicaid, 3rd party). Institutional care was the norm and there were limited, if any, home and community-based care options. The Long-Term Care Community Care Community Choices Act of 2008 (CHOICES) and the 2012 changes in Nursing Facility Level of Care Criteria for TennCare recipients have impacted nursing home occupancies in TN. According to TCA § 68-11-1622, the Agency shall issue no certificates of need for new nursing home beds other than the one hundred twenty-five beds included per fiscal year (commonly referred to as the 125-bed pool). These beds must be certified to participate in the Medicare skilled program. This does not preclude a nursing home from dually certifying beds for both Medicare and Medicaid.*

4. **"Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.**

   The applicant states the project's primary service area is 12 Shelby County ZIP codes in Germantown and Memphis. The applicant declares its secondary service area as the rest of Shelby County and DeSoto and Marshall Counties in Mississippi. The applicant reports that six of the ZIP Codes in the primary service area are within 30 minute travel time.

   It appears that this criterion has been met.

5. **The Health Services and Development Agency may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:**

   a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation, and

It appears that this criterion is not applicable since the twenty (20) proposed nursing home beds are not in excess of the need standard of the 1990s formula.

b. All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.

It appears that this criterion is not applicable since the twenty (20) proposed nursing home beds are not in excess of the need standard of the 1990s formula.

B. Occupancy and Size Standards:

1. **A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.**

   The applicant reports an occupancy rate of 85.6% in 2011 and 86.4% based on 2012 provisional JAR data.

   It appears that this criterion has not been met.

2. **There shall be no additional nursing home beds approved for a service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently noncomplying with quality assurance regulations shall be considered in determining the service areas, average occupancy rate.**

   According to the Department of Health Report, there were 27 nursing homes in 2011 with more than 50 beds. Five of those 27 nursing homes had occupancy rates greater than 95%. The applicant reported from Provisional JAR data that there were 25 nursing homes with over 50 beds in 2012 and that 6 of those nursing homes reported occupancies greater than 95%

   It appears that this criterion has not been met.

3. **A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.**

The applicant facility operated at 85.6% occupancy in 2011 and reported operating at 86.4% occupancy in 2012. The applicant points out that as a CCRC it is obligated to keep one to two beds open when possible to meet unanticipated needs of its residents.

It appears that this criterion has not been met.

4. **A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Services and Development Agency may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.**

This applicant currently is a 30 bed nursing home requesting 20 additional beds.

It appears that this criterion has been met.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

The Village at Germantown (VGT) is a continuing care retirement community (CCRC) which currently includes 170 independent living apartment beds in three multi-story buildings in the central part of the campus. There are also 28 independent living beds in cottages that are along both sides of Apaloosa Drive, on the east side of the campus. None of the independent living beds will be impacted by the proposed project.

Assisted living beds and nursing home beds are currently in the "Health Care Center" building, which has two wings. Wing A houses the existing 30 SNF beds. Wing B houses 21 licensed beds, 13 assisted living and 8 memory care. The applicant clarifies in Supplemental #1 that memory care units are assisted living units that are secure and can retain residents into the last stages of Alzheimer's disease.

Note to Agency members: The Health Care Facilities, Department of Health website reports that VGT is licensed for twenty-four (24) assisted living beds. The applicant indicates that three of the assisted living units are set up to accommodate the spouse of a resident.

VGT is planning to build a three-story dedicated assisted living building which will house 30 assisted living beds and 14 memory care beds. VGT expects that the assisted living building will be completed in late 2014. When completed all residents in the B Wing of the Health Care Center will move into the new assisted living building and Wing B will be renovated to accommodate the 20 additional SNF beds proposed in this application.

125 bed Nursing Home Bed Pool

- The applicant is requesting 20 new beds which will come from the Nursing Home 125 bed pool for the July 2013 to June 2014 state fiscal year period.
- There are currently 95 nursing home beds available in the July 2013 to June 2014 bed pool.
- A copy of the 125 bed pool bed stats is located at the end of this summary.

Ownership

The Village at Germantown is owned by The Village at Germantown, Inc. The Methodist Health System has been a major force in its development and operation. Currently VGT's six Board members include senior officers of Methodist hospitals in Shelby County.

VGT is managed by CRSA/LCS Management, LLC. The management company and its affiliated Life Care Services company manage 94 retirement communities in 31 states and the District of Columbia.

Facility Information

As has been previously mentioned the proposed additional 20 Medicare certified SNF beds will be located in Wing B of the Health Care Center which is currently housing assisted living beds. The current square footage of Wing B is 18,591 square feet (SF). Wing B will be renovated and add 2,280 net square feet for a total of 20,871 SF. The expanded area will house a new Therapy service area. Additionally, Wing A will be renovated as part of this proposed project. Wing A currently contains 21,236 SF. This wing will be renovated and a net 109 SF will be added so that Wing A will contain 21,345 SF. Square footage details can be found on page 9 of the original application and the Square Footage and Cost per Square Footage Chart in the first supplemental response.

The timeline for completion of the proposed project is as follows:

- **April 2015**-Completion of new Assisted Living/Memory Care Building and relocation of assisted living patients currently in Wing B of the Health Care Center.
- **August 2015**-Completion of Wing B renovation for 20 new SNF beds. Patients in 15 of the 30 beds of Wing A will move to Wing B
- **November 2015**-Completion of Wing A renovation of first 15 beds. Second set of 15 remaining beds vacated.
- **January 2016**-Renovation of remaining 15 beds in A Wing. All 50 SNF beds will be available.

Project Need

The applicant provided the following information:

- Even though occupancy has been below 90%, in a small 30 bed unit the difference between 89% occupancy and 95% occupancy is less than 2 patients per day

- One to two beds must always be available to accommodate the unanticipated needs of independent living residents
- With new residences being added additional SNF capacity must be created as the CCRC resident population increases
- The availability of on-site SNF beds is essential to the viability of the CCRC concept. Residents of a CCRC community typically pay substantial entry fees and monthly fees for a dependably secure living environment where they can age in place with changing medical needs. These residents are not willing to use off-campus nursing homes.
- Service area net bed need is 921 beds

Service Area Demographics

The Village at Germantown's declared primary service area is twelve ZIP Codes in Shelby County. The secondary eservice area includes the rest of Shelby County and DeSoto and Marshall Counties in Mississippi. The following review of demographic data will be for Shelby County.

- The total population of Shelby County is estimated at 943,812 residents in calendar year (CY) 2014 increasing by approximately 0.6% to 949,178 residents in CY 2016.
- The overall statewide population is projected to grow by 1.8% from 2014 to 2016.
- The Shelby County population cohort of age 65 and older presently accounts for approximately 11.5% of the total population compared to a state-wide average of 14.9% in CY 2014.
- The 65 and older population will increase from 11.5% of the general population in 2014 to 12.3% in 2016. The statewide 65 and older population will increase from 14.9% in 2014 of the general population to 15.5% in 2016
- The 65 and older population will increase 7.5% between 2014 and 2016 in Shelby County. The statewide 65 and older population will increase 6.1% during the same timeframe.
- The proportion of TennCare enrollees of the total county population is 24.3%, compared with the state-wide average of 18.4%.

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Historical Utilization

- The applicant reports an occupancy rate trend for VGT beginning at 91.4% in 2009 declining to 86.4% in 2012.
- The utilization tables prepared by the applicant in the first supplemental response reflect the following: Shelby County nursing homes reported patient days of 1,270,097 in 2009 increasing 2.4% to 1,300,573 patient days in 2010. From 2010 to 2012 (2012 JAR data for nursing homes is provisional) patient days have decreased by 20,915 or 1.6%.
- The Department of Health Report indicates that the overall occupancy rate for the 32 nursing homes reporting in 2011 was 84.5%.
    - 6 nursing homes reported occupancy of greater than 95%.
    - 6 nursing homes reported occupancy in the 90% - 95% range
    - 10 nursing homes reported occupancy in the 80% - 89% range
    - 7 nursing homes reported occupancy in the 70% - 79% range
    - 3 nursing homes reported occupancy below 70%
- The DOH Report also indicated that of the 4,169 nursing home beds in Shelby County, 3,486 or 83.6% were Medicare certified skilled nursing beds. Review of the 2011 Nursing Home JAR indicated that the skilled average daily census was 1,022. This indicates that the skilled nursing home beds in Shelby County were utilized by skilled patients approximately 29% of the time.

Projected Utilization

Village at Germantown

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Medicaid ADC	SNF All other Payors	Non-Skilled ADC	Total ADC	Licensed Occupancy
2016	50	50	20.3	0	19.0	0	39.3	78.6%
2017	50	50	22.5	0	22.2	0	44.7	89.4%

* Includes dually-certified beds

- The above table projects that once all 50 nursing home beds are available the occupancy will be 78.6% in the first full year of operation and increase to 89.4% by the second year of operation.
- In 2017, on average the 50 Medicare skilled beds will contain 22.5 Medicare skilled patients and 22.2 other payor skilled patients.

Project Cost
The total estimated project cost is $5,654,232.

Major costs are:

- Construction- $3,427,635 or 61% of total cost

There are no other cost items that were greater than 10%. For other details on Project Cost, see the Project Cost Chart in the original application.

The renovated construction cost is $114.98 per square foot and new construction cost is $185.20 per square foot. As reflected in the table on the following page, the renovated construction cost is approximately $60/square foot higher than the 3rd quartile and the new construction cost is approximately $4/square foot above the 3rd quartile of $55.00/square foot and $181.72/square foot respectively of statewide nursing home construction projects from 2010 to 2012. The applicant explains that the reason for the high renovation cost is that there is much work to be done in bathrooms and kitchens, which are very expensive areas to renovate.

Statewide
Nursing Home Construction Cost Per Square Foot
2010-2012

	Renovated Construction	New Construction	Total construction
1st Quartile	$19.30/sq. ft.	$164.57/sq. ft.	$73.23/sq. ft.
Median	$35.76/sq. ft.	$167.31/sq. ft.	$166.57/sq. ft.
3rd Quartile	$55.00/sq. ft.	$181.72/sq. ft.	$167.61/sq. ft.

Source: HSDA Applicant's Toolbox

A letter dated October 28, 2013 from the architectural firm SFCS indicates the proposed nursing home will be constructed to comply with all applicable building and life safety codes and to the requirements specified in the latest editions of the Guidelines for the Design and Construction of Health Care Facilities and the proposed construction costs appear to be reasonable for a project of this type and size.

Historical Data Chart
The historical data chart for the existing 30 bed nursing home at VGT was provided by the applicant.

- According to the Historical Data Chart, the VGT nursing home experienced profitable operating results for the three most recent years reported: $257,108 for 2010; $161,664 for 2011; and $65,111.
- The net income results indicate a net margin of 6.3% in 2010, 3.8% in 2011, and 1.6% in 2012.

Projected Data Chart

The applicant projects $6,203,806.00 in total gross revenue on 12,992 patient days during the first year of operation of the 50 bed nursing home and $7,375,629 on 15,742 patient days in Year Two (approximately $468.53 per day). The Projected Data Chart reflects the following:

1. Net operating income less capital expenditures for the applicant will equal $(454,342) in Year One increasing to $26,059 in Year Two.
2. Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach $6,552,831 or approximately 88.8% of total gross revenue in Year Two.

Charges

In Year One of the proposed project, the average patient daily charges are as follows:

- The proposed average gross per diem charge is $435.67/day in 2017.
- The average deduction is $52.27/day, producing an average net per diem charge of $416.26/day.

Payor Mix

- Medicare- Charges will equal $4,705,978 in Year One representing 75.86% of total gross revenue.
- Private Pay is expected to be the major source for the remaining revenue.

Financing

The applicant has stated that the project will be funded through a larger bond financing for the entire Master Plan construction program for the site. An October 14, 2013 letter from Senior Vice President of BB&T Capital Markets indicates that The Village at Germantown will be able to obtain financing of $19,100,000 issued in the form of tax-exempt bonds. It is not expected that the interest rate will exceed 7.5% and the bonds will have a maximum amortization of thirty-five years. The applicant also provides documentation from The Health, Educational and Housing Facility Board of the County of Shelby Tennessee concerning the issuance $39,960,000 in residential care facility mortgage revenue refunding bonds.

The Village at Germantown, Inc.'s audited financial statements for the period ending December 31, 2012 indicates $6,202,065 in cash and investments, total current assets of $8,747,147, total current liabilities of $4,197,328 and a current ratio of 2.08:1.

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

The applicant was also asked to provide information to calculate a debt service coverage ratio and a long term debt as a percent of total capital ratio. For 2012 those calculations were 1.43 and 52%, respectively.

Debt Service Coverage Ratio measures the ability to cover current debt obligation from funds both operating and non-operating activity. Higher ratios indicate a facility is better able to meet its financing commitments, A ratio of 1.0 indicates that average income would just cover current interest and principal payments on long-term debt.

Long term debt as a percent of total capital measures the proportion of debt financing in a facility's long-term financing mix. A low level of debt and a healthy proportion of equity in a company's capital structure is an indication of financial fitness.

The applicant was also asked why there was an Unrestricted Net Deficit reported of ($16,768,907) in 2011 and ($21,191,722) in 2012. The applicant responded in the first supplemental response that accounting principles restricts VGT from recognizing 100% of the entrance fee paid as revenue in the year of receipt. As indicated on the balance sheet in the FY 2012 audit, deferred revenue from entrance fees for 2012 and 2011 was $45,667,251 and $43,542,101, respectively. These amounts represent the amount of entrance fee receipts VGT has received but not taken into revenues. The amount of deferred revenue from entrance fees more than offsets the unrestricted net deficits.

Staffing

The applicant's direct patient care current staffing and proposed staffing for Years 1 and 2 are presented in the table below:

Position	Current FTEs	Year 1 FTEs	Year 2 FTEs
Administrator	0.60	0.60	0.60
Director of Nursing	0.60	0.60	0.60
Nurse Scheduler	0.75	0.75	0.75
MDS/Staff Coordinator	1.75	1.75	1.75
RN	4.39	7.19	7.19
LPN	5.83	8.63	8.63
CMA/CNA	14.66	16.06	19.56
Social Worker	0.95	0.95	0.95

Licensure/Accreditation

The Village at Germantown is licensed by the Tennessee Department of Health and certified by Medicare.

A letter from the Associate Regional Administrator at the Center for Medicare and Medicaid Services (CMS) indicated that a revisit survey was conducted on May 15, 2013 by the West Tennessee Regional Office of Health Care Facilities and it was determined that VGT was in substantial compliance with Medicare requirements for participation for Skilled Nursing Facilities.

Corporate documentation, management agreement, real estate deed, and patient transfer agreements are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no denied applications for other similar providers in the service area.

Letter of Intent

Ave Maria Home has filed a Letter of Intent for the replacement of thirty-five (35) of the current seventy-five (75) skilled nursing facility (SNF) beds at 2805

Charles Bryan Road, Bartlett (Shelby County) and the addition of thirty (30)* Medicare certified SNF beds at 2840 Charles Bryan Road, Bartlett (Shelby County). If approved, the nursing home will have a total of one hundred five (105) licensed beds. The estimated project cost is **$7,982,000.00**
**These beds are subject to the 2013-2014 Nursing Home Bed Pool.*

Pending Application

The Farms at Bailey Station, CN1311-045, has a pending application that is scheduled to be heard at the February 26, 2014 Agency meeting. The application is for the addition of thirty (30)* Medicare certified skilled nursing facility (SNF) beds to be part of the 30 SNF bed nursing home approved by CN1303-008A for a total of 60 SNF beds as part of a continuing care retirement community (CCRC) in Collierville (Shelby County), TN The estimated project cost is **$6,306,575.00.**
**These beds are subject to the 2013-2014 Nursing Home Bed Pool.*

Shelby County Health Care Corporation, d/b/a The Regional Medical Center at Memphis, CN1311-044A has a pending application that is scheduled to be heard at the March 26, 2014 Agency meeting. The application is for the establishment of a twenty (20)* bed nursing home certified for Medicare/Medicaid that will operate as a department of The MED. The estimated project cost is **$300,000.00.**
**These beds are subject to the 2013-2014 Nursing Home Bed Pool.*

Outstanding Applications

The Farms at Bailey Station, CN1303-008A, has an outstanding Certificate of Need that will expire on August 1, 2016. It was approved at the June 26, 2013 Agency meeting for the establishment of a thirty (30)* SNF bed nursing home certified for Medicare participation to be part of a continuing care retirement community. The estimated project cost is **$7,301,961.00. Project Status:** *The applicant has pending application CN1311-045 for an additional 30 SNF beds and if approved will result in the development of a 60 bed nursing home.*

Collins Chapel Health & Rehabilitation Center, CN1202-011A, has an outstanding Certificate of Need which will expire on August 1, 2014. The CON was approved at the June 27, 2012 Agency meeting for the establishment of a nursing home with twenty-eight (28) Medicare SNF beds and to provide skilled nursing services facility services. The estimated project cost is **$1,626,331.** *Project Status Update: A representative of the applicant in a 1/9/14 email indicated that this project has had recently to undergo architectural plan changes due to unforeseen construction cost projections from its contractors. The applicant's architects plan to*

submit revised plans to the state this month. The applicant also plans to file in January 2014, a request for an extension of time to complete this project. The applicant anticipates that the requested extension will be for an additional 12 months.

Christian Care Center of Memphis f/k/a Americare Health and Rehabilitation, CN0908-045A has an outstanding Certificate of Need which will expire on January 1, 2016. The CON was approved at the November 18, 2009 for the partial relocation and replacement of a health care facility (in accordance with TCA 68-11-1629): relocation of ninety (90) of two hundred and thirty seven (237) nursing home beds from 3391 Old Getwell Road in Memphis (Shelby County), TN to a 3.15 acre parcel of land at the northwest corner of Kirby Parkway and Kirby Gate Blvd in Memphis (Shelby County), TN. The estimated cost is **$10,473,976.** *Project Status Update: The applicant received approval at the October 23, 2013 Agency meeting for a $1,853,976 project cost increase and a two year extension of the expiration date from January 1, 2014 to January 1, 2016.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF 1/9/2014

NURSING HOME BED POOL STATS

July 1, 2013 – June 30, 2014

125 BED POOL

NH BEDS APPROVED	30 NURSING HOME BEDS
NH BEDS PENDING	70 NURSING HOME BEDS
SWING BEDS APPROVED	0 SWING BEDS
SWING BEDS PENDING	0 SWING BEDS
TOTAL BEDS DENIED/WITHDRAWN	0 BEDS
SUBTOTAL– BEDS REQUESTED	100 BEDS
TOTAL BEDS AVAILABLE FROM POOL	95 BEDS
(TOTAL PENDING BEDS)	(70 BEDS)

COUNTY	PROJECT NUMBER	FACILITY	PROJECT DISPOSITION	MEETING DATE	DESCRIPTION
Knox	CN1307-024	Shannondale Rehabilitation Center	APPROVED	10/23/2013	The establishment of a new thirty (30)* bed Medicare skilled nursing home to be known as Shannondale Rehabilitation Center. The facility will be located on the campus of Shannondale Continuing Care Retirement Community at 7510 and 7522 Middlebrook Pike, Knoxville (Knox County), TN. The estimated project cost is $6,609,488.00.
Shelby	CN1310-039	The Village at Germantown Skilled Nursing Facility	PENDING	1/22/2014	The addition of twenty (20) Medicare-certified skilled beds to its existing thirty (30) Medicare skilled bed nursing home. The estimated project cost is $5,641,539.00.

Shelby	CN1311-044	Shelby County Health Corporation, d/b/a The Regional Medical Center at Memphis	PENDING	3/26/2014	The establishment of a twenty (20) bed nursing home certified for Medicare/Medicaid that will operate as a department of The MED. The estimated project cost is $300,000.00.
Shelby	CN1311-045	The Farms at Bailey Station	PENDING	2/26/2014	The addition of thirty (30) Medicare-certified skilled beds to be part of the thirty (30) Bed SNF approved by CN1303-008A for a total of 60 SNF beds. The estimated project cost is $6,306,575.00.

LETTER OF INTENT

OCT 9 '13 AM 10:29

LETTER OF INTENT - HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before October 10, 2013, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Village at Germantown (a nursing home), owned by The Village at Germantown, Inc. (a non-profit corporation), and managed by CRSA/LCS Management, LLC (a limited liability company), intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare-certified skilled nursing facility (SNF) beds to its existing SNF facility at 7930 Walking Horse Circle, Germantown, TN 38138. This facility is on the enclosed campus of a Continuing Care Retirement Community for senior adults (also named The Village at Germantown) that provides its residents with independent living units, assisted living beds, and skilled nursing services that include rehabilitation therapies. The capital cost is estimated to be $5,700,000. The facility is currently licensed by the Board for Licensing Health Care Facilities as a nursing home with a total bed complement of thirty (30) Medicare-certified SNF beds; this project will increase its licensed complement to fifty (50) Medicare-certified SNF beds.

The project does not contain major medical equipment or initiate or discontinue any significant health service; and it will not affect any other facility's licensed bed complements.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John Wellborn 10-7-13 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

ORIGINAL APPLICATION

THE VILLAGE AT GERMANTOWN
A CONTINUING CARE RETIREMENT COMMUNITY

CERTIFICATE OF NEED APPLICATION TO ADD 20 SKILLED NURSING BEDS TO ITS 30-BED SKILLED NURSING FACILITY

Submitted October 15, 2013

PART A

1. Name of Facility, Agency, or Institution

The Village at Germantown Skilled Nursing Facility		
Name		
7930 Walking Horse Circle		Shelby
Street or Route		*County*
Germantown	TN	38138
City	*State*	*Zip Code*

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
Name		*Title*	
Development Support Group		jwdsg@comcast.net	
Company Name		*E-Mail Address*	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
Street or Route	*City*	*State*	*Zip Code*
CON Consultant	615-665-2022	615-665-2042	
Association With Owner	*Phone Number*	*Fax Number*	

3. Owner of the Facility, Agency, or Institution

The Village at Germantown, Inc.		
Name		
7820 Walking Horse Circle		Shelby
Street or Route		*County*
Germantown	TN	38138
City	*State*	*Zip Code*

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)	x		

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

5. *Name of Management/Operating Entity (If Applicable)*

CRSA/LCS Management, LLC		
Name		
3350 Players Club Parkway, Suite 300		Shelby
Street or Route		*County*
Memphis	TN	38125
City	*State*	*Zip Code*

6. *Legal Interest in the Site of the Institution (Check One)*

A. Ownership	x	D. Option to Lease	
B. Option to Purchase		E. Other (Specify):	
C. Lease of ___ Years			

7. *Type of Institution (Check as appropriate—more than one may apply)*

A. Hospital (Specify): General		I. Nursing Home	*x*
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital		N. Non-Residential Methadone	
G. Mental Health Residential Faclity		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

8. *Purpose of Review (Check as appropriate—more than one may apply*

A. New Institution		G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	x
B. Replacement/Existing Facility		H. Change of Location	
C. Modification/Existing Facility	x	I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			
E. Discontinuance of OB Service			
F. Acquisition of Equipment			

9. *Bed Complement Data*

(Please indicate current and proposed distribution and certification of facility beds.)

	Current Licensed Beds	CON approved beds (not in service)	Staffed Beds	Beds Proposed (Change)	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obsetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolesc. Psych.					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)	30	0	30	+20	50
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	30	0	30	+20	50

10. Medicare Provider Number:	445482
Certification Type:	Nursing Home
11. Medicaid Provider Number:	not applicable
Certification Type:	not applicable

12. & 13. See page 4

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

This is an existing facility, all of whose thirty beds are certified only for Medicare. The applicant will seek Medicare-only certification for the proposed twenty-bed expansion.

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? No. IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

Table One: Contractual Relationships with Service Area MCO's	
Available TennCare MCO's	**Applicant's Relationship**
BlueCare	will not be contracted
United Community Healthcare Plan (formerly AmeriChoice)	will not be contracted
Select	will not be contracted

SECTION B: PROJECT DESCRIPTIONB.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

• The applicant is The Village at Germantown, a Continuing Care Retirement Community ("CCRC") for senior adults. The CCRC concept offers a maintenance-free lifestyle, with a high level of amenities and support services. The quality of the facilities and services at The Village is unexcelled in the State. Its quiet 27.5-acre campus in southeast Shelby County offers residents a choice of living styles within the grounds, including cottages, apartments, and assisted living units.

• To be successful, CCRC's typically must offer on-site health services for their residents as well as being near acute care if needed. Accordingly, The Village at Germantown ("VGT")has its own 30-bed Skilled Nursing Facility ("SNF") on campus, in addition to rehabilitation and wellness services. The SNF is a licensed, Medicare-certified nursing home, in which residents have priority for admission--because one of the Village's contractual obligations to its residents is to provide skilled nursing care on-site whenever needed.

• The proposed project is to expand VGT's highly utilized SNF facility from 30 to 50 beds, to ensure future availability of skilled care to VGT residents, as the community grows. All current and proposed SNF beds will be Medicare-certified. The expansion will take place within the "Health Care Center" building, half of which is currently occupied by the SNF (Wing A), and half by Assisted Living apartments (Wing B). A new building is being constructed for the Assisted Living Program. When it is completed in 2015, the assisted living residents now in Wing B of the Health Care Center will move to the new building. Vacant Wing B will then be renovated into 20 additional SNF beds with support spaces. The latter includes a larger therapies area where PT, OT, and exercise classes can have more space than they now have. The completed 50-bed SNF will occupy the entire building. Its first full year of operation will be 2016.

Ownership Structure

• The Village at Germantown is owned by The Village at Germantown, Inc., a non-profit corporation established in July 2000 in Memphis. The Methodist Health System has been a major force in its development and operation. Currently, the Village's six Board members include senior officers of three Methodist hospitals in Shelby County. The VGT CCRC and its SNF are managed by CRSA/LCS Management, LLC. That relationship has been in place since VGT was initially developed. CRSA/LC Management and its affiliated Life Care Services company manage 94 retirement communities in 31 States and the District of Columbia.

Service Area

• The primary service area of the project is an area of twelve zip codes in Shelby County. Its secondary service area consists of Shelby County and adjoining DeSoto and Marshall Counties in Mississippi.

Need

• The VGT SNF is at maximum capacity and needs more beds. It operated at almost 89% average occupancy over the four years 2009-2012, and has operated at 89.3% in the first half of this year. In such a small facility the difference between 89% and 95% occupancy (the highest standard in the State Health Plan Guidelines) is only a census of 1.8 patients, a negligible difference. VGT cannot maintain more than 91%-92% annual occupancy, because it must hold attempt to hold beds open at all times, to meet VGT's contractual obligation to provide a bed immediately to CCRC residents when they request skilled care. As the new Master Plan building program provides room for more residents on campus, demand for SNF services will inevitably increase, so delay is not an option. The building will hold 20 more SNF beds, and they should all be constructed at one time, to avoid having to do a subsequent construction project on the patient floor.

• There is also an areawide need for more nursing home beds. This SNF serves primarily persons who live in Shelby County. The Department of Health, using the Guidelines for Growth methodology, projects a need for 5,045 total beds in Shelby County. There appear to be 4,167 beds operational, with another 58 approved and under development. Therefore a net need exists for 820 additional nursing home beds.

• VGT management projects that the expanded fifty-bed SNF will reach an occupancy of approximately 90% at the end of its second calendar year of operation, CY2017. At that time, Village residents will occupy an estimated 75.6% of its 50 beds. The other beds will available to the outside community. Within a few more years, the great majority of the SNF beds will be occupied by VGT residents.

• There are 36 licensed nursing homes in Shelby County, according to the TDH Licensure website. The Department of Health and HSDA staff, in June 2013, identified 33 operational nursing homes, and there appear to be three approved nursing home bed additions not yet implemented. However, use of external facilities would defeat the purpose of living in a CCRC, where residents expect to "age in place" with nursing home care available on-site, so that they do not have to be separated from friends and familiar surroundings in later years.

Project Cost, Funding, Financial Feasibility, and Staffing

• The estimated project cost is $5,641,539. It will be funded with the proceeds of a much larger tax-exempt bond issuance for the total campus building program. As shown by the Projected Data Chart, the expanded SNF will have a positive operating margin in Year Two, at an estimated 86.3% average annual occupancy. There is no break-even issue here because this is an existing facility with established reimbursement and cash flow already in place. The project will increase the SNF staffing from approximately 53 FTE's in 2013, to approximately 56 FTE's in Year Two.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.)* INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

The Village at Germantown is a Continuing Care Retirement Community ("CCRC") for senior adults. It is located in Germantown, a growing community in the southeast sector of Shelby County. It provides its residents with a variety of "household" options--cottages, apartments, assisted living units, and its own skilled care nursing home for short-term nursing care of residents and others.

One of the buildings on the Village's spacious, 27.5-acre enclosed campus is currently called "The Health Care Center" (or "HCC" in this application"). This single-story building encloses a large courtyard. Currently, the HCC is occupied by two types of residences or households. Its eastern or "A" wing (which wraps around the east end of the interior courtyard) is occupied by a skilled nursing facility ("SNF"), licensed for thirty nursing home beds, all of which are Medicare-certified for skilled care only. The HCC's western or "B" wing (which wraps around the west end of the interior courtyard) is occupied by eighteen assisted living residences.

The Village is embarking on a major expansion project affecting several areas of its campus. One component of this expansion is the construction of a three-story dedicated Assisted Living building with additional households. When that new building is complete in late 2014, all of the residents in Wing B of the HCC building will move into the new assisted living building. Then the SNF expansion will begin. It will be done in the following stages:

(a) When Wing B is fully vacant, the Village will renovate Wing B to house twenty additional SNF beds. This will be done by August 15, 2015. At that point the SNF will have 20 renovated private rooms in Wing A and 30 existing, un-renovated private rooms in Wing A.

(b) When Wing B's 20 renovated beds are open, patients in fifteen of the thirty SNF beds in Wing A will vacate them and move over to Wing B. Those fifteen vacated Wing A beds will then be renovated. That will be done by November 2015. At that point the SNF will consist of thirty-five newly renovated rooms available for admissions, and fifteen un-renovated rooms--a total of fifty private rooms.

(c) Finally, the remaining fifteen older SNF rooms in Wing A will be vacated and renovated. That should be completed in late 2016. At that point, the SNF will occupy both wings, and will have a total licensed complement of fifty Medicare-certified skilled care nursing home beds, all in newly renovated rooms.

The project will include re-design and expansion of meal preparation areas and dining areas in both wings of the SNF. All areas of the SNF floor in the HCC will be updated with new paint, wallpaper, floor coverings, and other improvements. Bathrooms and bedrooms will be renovated extensively.

While the HCC's residential and support areas are being renovated, a waiting area on the north section of Wing B (adjoining the interior courtyard) will be renovated and expanded into a new Therapy Services area. SNF residents already have therapy services (PT, OT) in a very small area of this building; but the proposed area will have much more space. Expanding the former waiting area into the courtyard will require a small amount of new construction (about 10% of the construction area).

Tables Two and Three below summarize the types, areas, and costs of construction involved to accomplish the SNF expansion in the HCC building. Tables Four and Five on the following page provide more details on the changes in the building by wing and by type of construction, and provide construction cost estimates--for those components and for the entire project.

Table Two: Summary of Construction and Changes in Facility Size	
	Total Square Feet
SNF Before Project	39,827 SF
SNF After Project	42,216 SF
Net Increase in Area (%)	+10.6%
SF of New Construction	2,949 SF
SF of Renovation	25,061 SF
Total New & Renovated Construction	28,010 SF

Table Three: Construction Costs of The Project			
	Renovated Construction	**New Construction**	**Total Project**
Square Feet	25,061 SF	2,949 SF	28,010 SF
Construction Cost	$2,881,395	$546,160	$3,427,555
Constr. Cost PSF	$114.98	$185.20	$122.37

Table Four: The Village at Germantown Proposed Changes in Areas of the Health Care Center Building		
	Area of Building	**Square Feet of Area**
Existing	Wing A---SNF, 30 beds	21,236 SF
	Wing B--Assisted Living	18,591 SF
	Total Existing Building	39,827 SF
Proposed	Wing A--SNF, 30 Beds	21,345 SF
	Wing B--SNF, 20 Beds	20,871 SF
	Total Existing Building	42,216 SF
	Area of Building	**Net Change in Area**
Total Building	Wing A--SNF, 30 Beds	+109 SF
	Wing B--SNF, 20 Beds	+2,280 SF
	Total Existing Building	+2,389 SF
SNF	Wing A--SNF, 30 Beds	+109 SF
	Wing B--SNF, 20 Beds	+20,871 SF
	Total SNF	+20,980 SF

Table Five: The Village at Germantown Construction Costs of the Proposed SNF Expansion			
	Square Feet	**Construction Cost**	**Cost PSF**
Renovation			
Wing A	9,414 SF	$1,127,350	$119.75
Wing B	15,647 SF	$1,754,045	$112.10
Total Renovated	25,061 SF	$2,881,395	$114.98
New Construction			
Wing A	401 SF	$48,000	$119.70
Wing B	2,548 SF	$498,160	$195.51
Total New	2,949 SF	$546,160	$185.20
Overall Project			
Wing A	9,815 SF	$1,175,350	$119.75
Wing B	18,195 SF	$2,252,205	$123.78
Total Project	28,010 SF	$3,427,555	$122.37

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF $5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF $2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.

UTILIZING THE ATTACHED CHART, APPLICANTS WITH HOSPITAL PROJECTS SHOULD COMPLETE PARTS A-E BY IDENTIFYING, AS APPLICABLE, NURSING UNITS, ANCILLARY AREAS, AND SUPPORT AREAS AFFECTED BY THIS PROJECT. PROVIDE THE LOCATION OF THE UNIT/SERVICE WITHIN THE EXISTING FACILITY ALONG WITH CURRENT SQUARE FOOTAGE, WHERE, IF ANY, THE UNIT/SERVICE WILL RELOCATE TEMPORARILY DURING CONSTRUCTION AND RENOVATION, AND THEN THE LOCATION OF THE UNIT/SERVICE WITH PROPOSED SQUARE FOOTAGE. THE TOTAL COST PER SQUARE FOOT SHOULD PROVIDE A BREAKOUT BETWEEN NEW CONSTRUCTION AND RENOVATION COST PER SQUARE FOOT. OTHER FACILITY PROJECTS NEED ONLY COMPLETE PARTS B-E.

See Attachment B.II.A.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

Table Three below (repeated from a prior section) summarizes the SNF project's construction costs.

Table Three (Repeated): Construction Costs of The Project			
	Renovated Construction	New Construction	Total Project
Square Feet	25,061 SF	2,949 SF	2,810 SF
Construction Cost	$2,881,395	$546,160	$3,427,555
Constr. Cost PSF	$114.98	$185.20	$122.37

Table Six below is HSDA data on average projected construction costs for similar projects across the State, granted CON approvals in 2010-2012.

Table Six: Nursing Home Construction Cost PSF Years: 2010– 2012			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$19.30/sq ft	$164.57/sq ft	$73.23/sq ft
Median	$35.76/sq ft	$167.31/sq ft	$164.57/sq ft
3rd Quartile	$55.00/sq ft	$181.72/sq ft	$167.61/sq ft

Source: HSDA, CON approved applications for years 2010 through 2012

The Village at Germantown's SNF expansion project is consistent with those cost ranges for total construction and for new construction. The Village's project has an estimated construction cost of approximately $122 PSF overall, lower than the median range in Statewide experience. The Village's estimated new construction cost of $185 PSF is just above the third quartile of Statewide experience. The project's renovation cost of $115 PSF is much higher because there is much work to be done in bathrooms and kitchens, which are very expensive areas to renovate.

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

Table Seven: Proposed Changes in Assignment of Licensed Nursing Home Beds		
Bed Assignment	**Current Assignment**	**Proposed Assignment**
Skilled Care	30	50 (+20)
Total Licensed Complement	30	50 (+20)

For background information, the table below presents changes scheduled for the entire campus, in the Master Plan implementation that is now beginning. Only the SNF expansion is subject to CON review; but putting it in context shows the scope of the building program whose new residential units will be generating additional demand for SNF beds in future years. The number of residential units (not SNF beds) will be increasing by 23, or by 10.6%; but because many house couples, the resident population will increase even more.

Table Eight: Current Building Program of The Village at Germantown		
Type of Residential Unit	**Current Units**	**Proposed Units**
Independent Living Apartments	170	170
Independent Living Cottages	28	28
Assisted Living Units	13	30 (+17)
Memory Care /Special Care Units	8	14 (+6)
Subtotal, Non-SNF Units	*220*	*243 (+23)*
Skilled Nursing Beds	30	50 (+20)
Total	*249*	*292 (+43)*

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):

1. **ADULT PSYCHIATRIC SERVICES**
2. **ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS**
3. **BIRTHING CENTER**
4. **BURN UNITS**
5. **CARDIAC CATHETERIZATION SERVICES**
6. **CHILD AND ADOLESCENT PSYCHIATRIC SERVICES**
7. **EXTRACORPOREAL LITHOTRIPSY**
8. **HOME HEALTH SERVICES**
9. **HOSPICE SERVICES**
10. **RESIDENTIAL HOSPICE**
11. **ICF/MR SERVICES**
12. **LONG TERM CARE SERVICES**
13. **MAGNETIC RESONANCE IMAGING (MRI)**
14. **MENTAL HEALTH RESIDENTIAL TREATMENT**
15. **NEONATAL INTENSIVE CARE UNIT**
16. **NON-RESIDENTIAL METHADONE TREATMENT CENTERS**
17. **OPEN HEART SURGERY**
18. **POSITIVE EMISSION TOMOGRAPHY**
19. **RADIATION THERAPY/LINEAR ACCELERATOR**
20. **REHABILITATION SERVICES**
21. **SWING BEDS**

1. The Applicant's Need for the Project

As shown in the table of historical utilization in Section C(I)6 of this application, the applicant has operated its 30 existing SNF beds at approximately 89% average occupancy during the past four calendar years, 2009-2012, and during the first half of 2013 the beds experienced an average occupancy of 89.3%.

This is virtually full utilization for this particular facility, for two reasons. First, because of its small bed capacity. The difference between 89% occupancy and 95% occupancy on a small 30-bed complement is only 1.8 patients, a negligible number in a market as large as Memphis.

30 beds X 95% occupancy = 28.5 patient census

30 beds X 89% occupancy = 26.7 patient census

Difference = 1.8 patients

The second reason why this SNF cannot achieve much higher occupancy is because The Village is contractually obligated to provide residents with a nursing home bed immediately upon request. To ensure compliance, the SNF must attempt to hold one to two beds open whenever possible, to meet unanticipated needs of its Independent Living residents. So in reality, this 30-bed special-purpose facility will not achieve more than approximately 10,000 days of resident care, or approximately 91.5% average annualoccupancy.

With beds already at maximum practical utilization, and new residences being added soon, The Village must create new bed capacity by the time the resident population increases. The Health Services Building can add a maximum of twenty more skilled care beds by renovation of Wing B. The applicant should fully build out 20 beds of capacity in a single project, when the whole wing is vacant, rather than phasing in a few beds at a time, which would impose construction on patients in nearby beds.

The ability to provide sufficient on-site SNF beds to its residents is essential to the viability of the CCRC concept. Residents of such self-contained living communities pay substantial entry fees and monthly fees for a dependably secure living environment in which they can age in place as their medical needs change. They are not willing to utilize remote, off-campus nursing homes whose quality of care is not personally familiar to them, as it is in a community like The Village at Germantown.

2. Areawide Need for the Project

As explained below in the responses to the Section C(I) State Guidelines for Growth, the Tennessee Department of Health ("TDH") projects a CY2015 need for approximately 820 additional nursing home beds in Shelby County. (The applicant has adjusted the TDH need calculation downward, from 878 to 820, to reflect 58 approved nursing home beds still under construction, which were not included in the TDH calculation.)

In addition, this year's pool of skilled care nursing home beds made available by the General Assembly for CON approval will have at least 95 skilled care beds available when this application is heard.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

Not applicable. This is an expansion project, not a replacement or change of location.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF $1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

1. For fixed site major medical equipment (not replacing existing equipment):

- **a. Describe the new equipment, including:**
  1. **Total Cost (As defined by Agency Rule);**
  2. **Expected Useful Life;**
  3. **List of clinical applications to be provided; and**
  4. **Documentation of FDA approval.**
- **b. Provide current and proposed schedule of operations.**

2. For mobile major medical equipment:

- **a. List all sites that will be served;**
- **b. Provide current and/or proposed schedule of operations;**
- **c. Provide the lease or contract cost;**
- **d. Provide the fair market value of the equipment; and**
- **e. List the owner for the equipment.**

3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable. No major medical equipment is proposed.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

1. **SIZE OF SITE (IN ACRES);**
2. **LOCATION OF STRUCTURE ON THE SITE;**
3. **LOCATION OF THE PROPOSED CONSTRUCTION; AND**

4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

The Village at Germantown is very accessible to its market within Shelby County. The principal roads between Germantown and other parts of its primary service area (12 zip codes) include Highway 177 (Germantown Road), Highway 385, Wolf River Boulevard and Poplar Avenue, Bill Morris Parkway, and I-240. The table below shows representative drive times and distances to several communities across the primary service area. There is no public transportation to the SNF other than taxi service. However, this is a retirement community with its own transport services (not including ambulance service). Please see the location maps in Attachment C, Need--3 for visual information about access to the project from its service area.

Table Nine: Mileage and Drive Times Between Project and Major Communities in the Primary Service Area

	County & State	Distance in Miles	Drive Time in Minutes
1. Arlington	Shelby, TN	18.8 mi.	26 min.
2. Bartlett	Shelby, TN	12.0 mi.	21 min.
3. Collierville	Shelby, TN	10.5 mi.	20 min.
4. Cordova	Shelby, TN	4.7 mi.	10 min.
5. Ellendale	Shelby, TN	11.2 mi.	25 min.
6. Germantown	Shelby, TN	1.6 mi.	6 min.
8. Millington	Shelby, TN	21.2 mi.	35 min.
10. Poplar Ave. Shopping Center Poplar. @ South Highland, Memphis	Shelby, TN	9.4 mi.	17 min.

Source: Google Maps, October 2013

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY

1. **EXISTING SERVICE AREA (BY COUNTY);**
2. **PROPOSED SERVICE AREA (BY COUNTY);**
3. **A PARENT OR PRIMARY SERVICE PROVIDER;**
4. **EXISTING BRANCHES AND/OR SUB-UNITS; AND**
5. **PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

C(I) NEED

C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

Nursing Home Need Criteria and Standards

A. Need

1. According to TCA 68-11-108. the need for nursing home beds shall be determined by applying the following population-based statistical methodology:

County bed need = .0005 X Pop. 65 and under, plue
.0120 X pop. 65-74, plus
.0600 X pop. 75-84, plus
.1500 X pop. 85

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.

The Tennessee Department of Health calculates need under this methodology at least annually, for purposes of CON reviews. Their latest projection is attached following the applicant's responses to these Guidelines. This version is based on the TDH's most recent population projections published in May 2013.

Shelby County is the only Tennessee county in the Village SNF's primary service area. The TDH projects a need for 5,045 nursing home beds in Shelby County.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health, Office of Health Policy.

The TDH Licensing website provides a list of licensed nursing homes in Shelby County, with a total licensed bed complement of 3,976 beds. In addition, there are three other projects to be considered that will add 148 beds to the TDH website count.

There is one nursing home with an "inactive" license, which is not included in the website inventory. It will be replaced with approved CN0908-045, Christian Care Center of Memphis, which will add 90 beds.

There are two other approved but unimplemented projects that will add a total of 58 additional beds:

CN1202-011	Collins Chapel Health and Rehabilitation Center 28 new SNF beds
CN1303-008	The Farms at Bailey Station 30 new SNF beds

When all three of these unimplemented projects are completed, 4,124 licensed beds will exist in Shelby County nursing homes. This indicates a net need for 921 more nursing home beds in Shelby County under the current TDH and Guidelines bed need methodology:

Shelby County Projected Need =	5,045 beds (in 2015)
Shelby County Supply =	3,976 active licensed beds
	+ 148 approved, unimplemented
	4,124 total approved beds
Net Need = 5,045 - 4,124 =	921 additional nursing home beds

4. "Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside.

The primary service area consists of 12 Shelby County zip codes in Germantown and Memphis. The secondary service area will be all of Shelby County, and DeSoto and Marshall Counties in Mississippi. Most VGT residents retire to VGT from those areas. Most SNF admissions are from those areas. As a result, the majority of SNF patients at VGT are Village residents. The percentage of beds used by residents varies.

5. A majority of the population of a service area for any nursing home should be within 30 minutes travel time from that facility.

Please see the drive time table in Section B(III) B.1 of the application, for accessibility data. It demonstrates that this criterion is met.

6. The Health Facilities Agency may approve new nursing home beds in excess of the need formula for a service area, if the following criteria are met:

a. All outstanding CON projects in the service area resulting in a net increase in beds are licensed and in operation, and

b. All nursing homes in the proposed service area population are utilized at an average annual occupancy rate of at least 95%.

Criteria 6a and 6b is not applicable. The application does not propose new nursing home beds "in excess of the need standard" for Shelby County. It proposes instead to add needed beds.

B. Occupancy and Size Standards:

1. A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90% after two years of operation.

As shown in the table of historical utilization in Section C(I)6 of this application, the applicant has operated its 30 existing SNF beds at approximately 88.7% average occupancy during the past four calendar years, 2009-2012, and during the first half of 2013 the beds experienced an average occupancy of 89.3%. That is in substantial compliance with this criterion. The difference between 88.7% occupancy and 90% occupancy on a small 30-bed facility is only one-half of one patient a day--which can reasonably be viewed as a negligible difference when making health planning decisions.

30 beds X 90% occupancy = 27.0 patient census
30 beds X 88.7% occupancy = 26.6 patient census
Difference = 0.4 patients

Moreover, there is a special reason why this SNF cannot achieve much higher average occupancy on a prolonged basis. The Village is contractually obligated to

provide residents with a nursing home bed immediately upon request. To ensure its ability to do that, the SNF must try to hold one to two beds open when possible, to meet unanticipated needs of its residents. For example, although it is not at 95% occupancy, at the present time the SNF is turning away admissions requests from hospitals requesting a skilled care bed for patients who are not residents of The Village. So in reality, this 30-bed special-purpose facility cannot prudently maintain much higher occupancy than it has averaged over the past four years.

2. There shall be no additional nursing home beds approved for a service area unless each existing facility has achieved and average annual occupancy rate of 95 percent. The circumstances of any nursing home which has been identified by the Regional Quality Assurance Administrator as consistently non-complying with quality assurance regulations shall be considered in determining the service area's average occupancy rate.

The most recent final JAR data 2011 indicates an average occupancy of 83.1% in the service area. That includes data from all licensed homes.

3. A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.

The applicant's average annual occupancy for CY2012 was 88.7%. The difference in average daily census between that and 95% is only 1.9 patients. This is a negligible difference due to the very small size of the facility. It is also not possible to overcome it entirely, for reasons explained above in response to criterion #1.

4. A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.

Not applicable. The applicant already operates a 30-bed facility and is proposing to increase its bed complement to 50 beds.

NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS, BY COUNTY AND STATE TOTAL, 2015 (Based on 2013 Population Series)

COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED
STATE	6,649,438	44,196	HAMBLEN	64,438	506	MORGAN	21,870	143
			HAMILTON	349,273	2,667	OBION	31,365	265
ANDERSON	76,949	711	HANCOCK	6,645	57	OVERTON	22,593	182
BEDFORD	48,099	300	HARDEMAN	26,231	187	PERRY	8,025	74
BENTON	16,208	159	HARDIN	26,075	238	PICKETT	4,998	54
BLEDSOE	12,610	95	HAWKINS	57,741	485	POLK	16,570	135
BLOUNT	129,973	1,037	HAYWOOD	18,044	128	PUTNAM	78,416	533
BRADLEY	104,364	722	HENDERSON	28,279	208	RHEA	33,767	259
CAMPBELL	41,783	320	HENRY	32,766	304	ROANE	54,079	513
CANNON	14,218	112	HICKMAN	24,465	174	ROBERTSON	71,437	294
CARROLL	28,012	253	HOUSTON	8,413	73	RUTHERFORD	302,237	1,251
CARTER	57,359	493	HUMPHREYS	18,519	158	SCOTT	21,915	155
CHEATHAM	40,088	172	JACKSON	11,383	94	SEQUATCHIE	15,246	118
CHESTER	17,593	129	JEFFERSON	54,482	413	SEVIER	96,116	707
CLAIBORNE	32,765	246	JOHNSON	18,090	158	**SHELBY**	**946,559**	**5,045**
CLAY	7,681	72	KNOX	459,124	3,100	SMITH	19,771	130
COCKE	37,207	279	LAKE	9,676	53	STEWART	13,659	106
COFFEE	54,817	346	LAUDERDALE	27,264	168	SULLIVAN	159,494	1,562
CROCKETT	14,611	119	LAWRENCE	42,373	344	SUMNER	175,054	1,105
CUMBERLANI	58,340	686	LEWIS	12,112	97	TIPTON	64,759	348
DAVIDSON	663,151	3,578	LINCOLN	34,624	215	TROUSDALE	8,275	53
DECATUR	11,883	118	LOUDON	51,495	537	UNICOI	18,419	183
DEKALB	18,996	147	MCMINN	53,476	442	UNION	19,347	130
DICKSON	51,127	266	MCNAIRY	26,755	221	VAN BUREN	5,433	44
DYER	38,246	278	MACON	23,419	156	WARREN	40,662	305
FAYETTE	41,835	292	MADISON	99,971	673	WASHINGTON	132,599	989
FENTRESS	18,553	143	MARION	28,652	224	WAYNE	16,815	135
FRANKLIN	41,391	322	MARSHALL	31,413	208	WEAKLEY	38,790	277
GIBSON	51,412	427	MAURY	82,526	560	WHITE	27,132	226
GILES	29,293	241	MEIGS	12,331	97	WILLIAMSON	207,872	1,060
GRAINGER	23,236	172	MONROE	46,563	367	WILSON	126,472	762
GREENE	70,520	598	MONTGOMERY	191,068	741			
GRUNDY	13,322	112	MOORE	6,364	55			

SOURCE: DIVISION OF HEALTH STATISTICS, OFFICE OF POLICY, PLANNING AND ASSESSMENT, TENNESSEE DEPARTMENT OF HEALTH. 7/8/2013

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The State Health Plan should support this option for the limited number of Tennessee residents who choose to enter such specialized living communities. It provides high quality skilled care. The great majority of its patients (Village residents) are receiving that care in a highly efficient manner, within walking distance of their residences, spouses, and friends. Because this is an internal resource within their community, residents know in advance the quality and responsiveness of the nursing care they will receive there. That is seldom available with respect to a skilled care provider outside the retirement community.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The applicant facility is a reasonable choice when granting needed skilled care beds to the area, because its location within a retirement community increases hundreds of residents' ease of access to skilled care, with post-discharge support easy to coordinate and deliver.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of

Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. **The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

Offering needed skilled care within a CCRC like The Village at Germantown is an innovative and efficient way to provide rapid access to needed care in a trusted and convenient setting.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. **Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

The applicant has always maintained an excellent facility, operated to the highest professional care standards. It is Medicare-certified and in compliance with State licensure standards.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. **The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

The expansion will increase employment opportunities for trained clinical caregivers.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

The project is an essential component of the long-range development plan for The Village at Germantown. As a result of the VGT residential expansion program now being funded, The Village soon will have more residents. The existing 30-bed SNF is being heavily utilized by residents. As the Village's residential population increases over the next five years, it will need more SNF beds. The Health Care Center is the appropriate location for more SNF beds. The proposed 50 SNF beds will be its maximum internal capacity. Further expansion plans for the SNF program are not being made at this time.

C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

The proposed primary service area (PSA) consists of twelve zip codes in Shelby County that contribute almost all of The Village's in-State SNF admissions. Those zip codes are listed below. Generally speaking, they cover East Shelby County and are bounded roughly by I-40 on the north, I-240 and South Mendenhall Road to the west, the Shelby County line to the east, and Mississippi to the south. During the first two quarters of 2013, 108 (90%) of the SNF's 120 admissions were patients who resided in eleven of these twelve zip codes.

Table Ten: Primary Service Area By Zip Code
The Village at Germantown SNF

Zip Code	Post Office Name	Primary County
38016	Cordova	Shelby
38017	Collierville	Shelby
38018	Cordova	Shelby
38028	Eads	Shelby
38115	Memphis	Shelby
38117	Memphis	Shelby
38119	Memphis	Shelby
38120	Memphis	Shelby
38125	Memphis	Shelby
38138	Germantown	Shelby
38139	Germantown	Shelby
38141	Memphis	Shelby

Source: Senior Market Research Associates, Jan. 2013; and VGT 2013 patient origin records

The secondary service area (SSA) includes the rest of Shelby County and adjoining DeSoto and Marshall Counties in Mississippi. Maps of the zip code PSA, the Shelby County PSA, and the location of the service area within Tennessee, are provided in Attachment C, Need--3.

C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

The county-level demographics of the primary and secondary service areas (PSA and SSA) are shown on the demographic data table on the following page.

The PSA data at the zip code level, however, is more meaningful. The zip codes basically encompass eastern Shelby County, an area of rapid growth. A 2012 market study performed for VGT as part of the Master Planning process identified a total PSA zip code population that increased by 19.6% between 2000 and 2010--compared to a 9.7% increase in the U.S. It projected that between 2012 and 2017 the PSA of The Villages would increase by 6% to 358,821 residents.

Significantly, the PSA's elderly 65+ population mushroomed by 35.5% in the twelve-year period 2000-2012, half again as quickly as the national average for this age group. The study projected that between 2012 and 2017, it would increase another 15.6%--also half again as quickly as the U.S. population 65+.

Eastern Shelby County is also a relatively high-income residential area. The study found that the two Germantown zip codes (38138 and 38139) close to The Village at Germantown have an estimated combined median household income of $106,524, more than 200% of Shelby County's average of $44,833. So there is a strong local market for retirement facilities in eastern Shelby County.

Table Eleven: County-Level Demographic Characteristics Primary Service Area of The Village at Germantown SNF 2013-2017					
Demographic	SHELBY County (TN)	DESOTO County (MS)	MARSHALL County (MS)	VGT PSA	STATE OF TENNESSEE
Median Age-2010 US Census	34.6	33.7	33.9	34.1	37.8
Total Population-2013	940,972	168,725	36,346	1,146,043	6,528,014
Total Population-2017	951,669	178,689	35,282	1,165,640	6,772,022
Total Population-% Change 2013 to 2017	1.1%	5.9%	-2.9%	1.7%	3.7%
Age 65+ Population-2013	104,804	17,098	4,625	126,527	878,496
% of Total Population	11.1%	10.1%	12.7%	11.0%	13.5%
Age 65+ Population-2017	120,783	18,108	4,490	143,381	987,074
% of Total Population	12.7%	10.1%	12.7%	12.3%	14.6%
Age 65+ Population-% Change 2013-2017	15.2%	5.9%	-2.9%	13.3%	12.4%
Median Household Income	$46,102	$59,734	$33,279	$46,372	$43,314
TennCare Enrollees (06/13)	228,293	unpublished	unpublished	228,293	1,211,113
Percent of 2012 Population Enrolled in TennCare	24.3%	unpublished	unpublished	19.9%	18.6%
Persons Below Poverty Level (2012)	189,135	16,029	8,796	213,960	1,103,234
Persons Below Poverty Level As % of Population (US Census)	20.1%	9.5%	24.2%	17.9%	16.9%

Sources: TDH Population Projections, May 2013; U.S. Census; Bureau of TennCare.
AR and MS data from those State's websites; interpolated.
PSA data is unweighted average, or total, of county data.

C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

The special need addressed by this project is for residents of the Village at Germantown to continue to have on-site access to skilled care nursing services, as they have in past years. The applicant is legally required to make it available. Without sufficient skilled care beds to meet residents' needs at peak periods, the CCRC will not be able to meet its commitments to its residents and its viability as a retirement community will be threatened.

The applicant and its SNF have no admissions barriers based on age, gender, race, or ethnic origin. It does require significant assets and income to become a resident, however, and the SNF will increasingly be filled with residents.

C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

Please see the table on the following page for the most recent three years of this data for nursing homes in Shelby County.

C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

Historic Utilization

As shown in the table below, The Village at Germantown SNF experienced very high occupancies every one of the past five years--from approximately 85% to 91%. In a small 30-bed facility, the difference in occupancy between 90% (27 patients in beds) and 95% occupancy (28.5 patients in beds) is only 1.5 patients. The difference between 89% occupancy and 90% occupancy is less than a single patient per day. As explained in the Need section of this application, The Villages SNF is obligated to its residents to provide skilled care on campus when needed. So it is obliged to hold a bed or two open for unforeseen needs that could arise quickly among its residents. It can never reach an annual average occupancy of 95%, because on many days of the year that would mean being "out of beds" and unable to accept an unforeseen admission of a Village resident.

Table Thirteen: The Village at Germantown SNF Utilization 2009- 2013 YTD

	2009	2010	2011	2012	Jan-Jun 2013	Occ'y 2009-2012
Beds						
Medicare Certified	30	30	30	30	30	
Medicaid Certified	0	0	0	0	0	
Dually MCare/Maid Certified	0	0	0	0	0	
Not Certified	0	0	0	0	0	
Total Licensed Beds	30	30	30	30	30	
Resident Days of Care						
Skilled Care Days	5584	10,002	9,371	9,462	4,890	
Other Days	4382	0	0	1,825	0	
Total Days	10,011	10,002	9,371	9,462	4,890	38,846
Utilization						
Days of Capacity @ 30 Beds	10,950	10,950	10,950	10,950	5,475	43,800
Average Annual Occupancy	91.4%	91.3%	85.6%	86.4%	89.3%	88.7%

Source: TVG Management and TDH JAR's of Nursing Homes, Schedule F, Part 2, p. 16

Projected Utilization

Management at The Village estimates that the new Assisted Living Building will be occupied at least one year before the SNF expansion project can be fully completed in both wings. The first full calendar year of the SNF's operation is projected to be CY2016. Management estimates that at that time, there will be a demand from residents and the surrounding communities for 186 admissions and 12,992 days of nursing care. In Year Two, CY2017, utilization is projected to increase to 225 admissions and 15,742 days of care. The average occupancy in Year Two is projected to be 86.3%, with an occupancy of 90% reached at the end of that second year.

This projection is very reasonable, when one considers that at the present time, the Village has more than thirty residents who are 90 or more years of age.

Table Fourteen: The Village at Germantown SNF
Projected Utilization Years One & Two of Expanded Operation
2016-2017

	Year One	Year Two
Beds		
Medicare Certified	50	50
Medicaid Certified	0	0
Medicare & Medicaid Certified	0	0
Not Certified	0	0
Total Licensed Beds	50	50
Resident Days of Care	12,992	15,742
Utilization		
Days of Capacity	18,250	18,250
Average Occupancy %	71.2%	86.3%

Source: VGT management.

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

• ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST $3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

• THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

• THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

• FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1. The architectural firm is SFCS, of Charlotte, North Carolina. SFCS is deeply involved in the planning and design of CCRC projects throughout the United States.

On the Project Costs Chart, following this response, Line A.1, A&E fees, were estimated by the project architect.

Line A.2, legal, administrative, and consultant fees, include a contingency for expenses of an administrative appeals hearing. This estimate was provided by Village at Germantown management.

Line A.4, site preparation cost; Line A.5, construction cost, and Line A.6, contingency, were all estimated by the architectural firm.

Line A.7 includes both fixed and moveable equipment costs, estimated by The Village management team.

Line A.9 is an allocation of miscellaneous costs of the larger building program, to the SNF expansion which is one component of the program. It includes approximately a dozen categories of expense, including: allocation of accounting and salaries; ALTA survey, bank construction review, civil Engineering, exterior signage, local fees and permits, a bond feasibility consultant, insurance, appraisals, printing, and management company development fees.

PROJECT COSTS CHART -- THE VILLAGE AT GERMANTOWN
(SKILLED NURSING FACILITY)

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	$ 291,378
2.	Legal, Administrative, Consultant Fees (Excl CON Filing)	350,000
3.	Acquisition of Site	0
4.	Preparation of Site	152,500
5.	Construction Cost	3,427,635
6.	Contingency Fund	256,639
7.	Fixed Equipment (Not included in Construction Contract)	265,794
8.	Moveable Equipment (List all equipment over $50,000)	
9.	Other (Specify) _____	445,499
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	0
2.	Building only	0
3.	Land only	0
4.	Equipment (Specify) _____	0
5.	Other (Specify) _____	0
C.	Financing Costs and Fees:	
1.	Interim Financing	
2.	Underwriting Costs	114,294
3.	Reserve for One Year's Debt Service	337,800
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	5,641,539
E.	CON Filing Fee	12,693
F.	Total Estimated Project Cost (D+E)	TOTAL $ 5,654,232

Actual Capital Cost 5,654,232
Section B FMV 0

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

_____A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

___x__B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

_____C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

_____D. Grants--Notification of Intent form for grant application or notice of grant award;

_____E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

_____F. Other--Identify and document funding from all sources.

The project will be funded through a larger bond financing for the entire Master Plan construction program that will start soon. Documentation of availability of this financing is provided in Attachment C, Economic Feasibility--2.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

The justification of costs was provided in an earlier section, repeated below:

Table Three below (repeated from a prior section) summarizes the SNF project's construction costs.

Table Three (Repeated): Construction Costs of The Project			
	Renovated Construction	**New Construction**	**Total Project**
Square Feet	25,061 SF	2,949 SF	2,810 SF
Construction Cost	$2,881,395	$546,160	$3,427,555
Constr. Cost PSF	$114.98	$185.20	$122.37

Table Six below is HSDA data on average projected construction costs for similar projects across the State, granted CON approvals in 2010-2012.

Table Six: Nursing Home Construction Cost PSF Years: 2010– 2012			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$19.30/sq ft	$164.57/sq ft	$73.23/sq ft
Median	$35.76/sq ft	$167.31/sq ft	$164.57/sq ft
3rd Quartile	$55.00/sq ft	$181.72/sq ft	$167.61/sq ft

Source: HSDA, CON approved applications for years 2010 through 2012

The Village at Germantown's SNF expansion project is consistent with those cost ranges for total construction and for new construction. The Village's project has an estimated construction cost of approximately $122 PSF overall, lower than the median range in Statewide experience. The Village's estimated new construction cost of $185 PSF is just above the third quartile of Statewide experience. The project's renovation cost of $115 PSF is much higher because there is much work to be done in bathrooms and kitchens, which are very expensive areas to renovate.

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for these charts, with notes where applicable. The financial data in the Projected Data Chart, and all later responses involving those projections, reflect CY2016 as Year One, because that is the first year when the facility will have a complement of fifty licensed SNF beds. (Although renovation will continue on the last fifteen of them in Wing A during CY2016).

However, in accordance with HSDA staff's preference, the entire SNF project's capital cost and related data (financing letter, plans, etc.) are included in the Project Cost Chart and those costs are reflected in the financing documentation, architectural plans, and other related parts of the application.

HISTORICAL DATA CHART -- THE VILLAGE AT GERMANTOWN SNF

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in January.

			Year 2010	Year 2011	Year 2012
		Admissions	125	147	159
A.	Utilization Data	Patient Days	10,198	9,628	10,299
B.	Revenue from Services to Patients				
	1. Inpatient Services		$ 4,414,567	4,208,866	4,324,780
	2. Outpatient Services		186,122	376,901	449,611
	3. Emergency Services				
	4. Other Operating Revenue		24,672	11,711	34,669
	(Specify) See notes page				
		Gross Operating Revenue	$ 4,625,362	$ 4,597,478	$ 4,809,060
C.	Deductions for Operating Revenue				
	1. Contractual Adjustments		$ 512,964	364,274	670,295
	2. Provision for Charity Care			22,694	2,753
	3. Provisions for Bad Debt		42,366	1,000	12,931
		Total Deductions	$ 555,330	$ 387,968	$ 685,979
NET OPERATING REVENUE			$ 4,070,032	$ 4,209,510	$ 4,123,080
D.	Operating Expenses				
	1. Salaries and Wages		$ 1,552,398	1,555,649	1,615,030
	2. Physicians Salaries and Wages		30,000	70,704	70,704
	3. Supplies		73,690	69,375	66,382
	4. Taxes		78,591	59,665	68,402
	5. Depreciation		251,180	235,063	236,492
	6. Rent				
	7. Interest, other than Capital				
	8. Management Fees				
	a. Fees to Affiliates				
	b. Fees to Non-Affiliates		21,399	23,540	21,888
	9. Other Expenses (Specify) See notes page		1,488,779	1,720,195	1,674,015
		Total Operating Expenses	$ 3,496,037	3,734,191	3,752,913
E.	Other Revenue (Expenses) -- Net (Specify)		$	$	$
NET OPERATING INCOME (LOSS)			$ 573,995	$ 475,319	$ 370,167
F.	Capital Expenditures				
	1. Retirement of Principal		$ 50,000	$ 52,500	$ 57,500
	2. Interest		266,887	261,155	247,556
		Total Capital Expenditures	$ 316,887	$ 313,655	$ 305,056
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 257,108	$ 161,664	$ 65,111

Other Revenues:	2010	2011	2012
Billable Supplies	24,672	11,711	34,669
Other Expenses:	**2010**	**2011**	**2012**
Medicare A	870,294	943,005	890,779
Medicare B	114,523	239,925	223,507
Travel, Seminars, Education	10,139	15,609	14,500
Equipment	12,805	10,946	11,215
Contract & Outside Services	139,723	154,251	179,061
Bed Tax	67,531	67,032	66,750
Information Technology	15,227	17,799	15,330
Lega/Acct/Banking	9,922	11,610	8,984
Utilities	65,015	68,500	65,735
Repairs	18,699	25,187	26,257
Permits, Licenses & Dues	7,302	9,094	10,358
Marketing	42,660	40,070	38,373
Raw Food	95,716	98,653	103,791
Insurance	19,223	18,514	19,375
Total Other Expense	1,488,779	1,720,195	1,674,015

PROJECTED DATA CHART-- THE VILLAGE AT GERMANTOWN

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

			CY 2016	CY 2017
		Admissions	186	225
A.	Utilization Data	Patient Days	12,992	15,742
B.	Revenue from Services to Patients			
	1. Inpatient Services		$ 5,697,648	$ 6,858,264
	2. Outpatient Services		468,787	475,819
	3. Emergency Services			
	4. Other Operating Revenue (Specify)	See Notes Page	37,371	41,546
		Gross Operating Revenue	$ 6,203,806	$ 7,375,629
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 673,149	$ 758,123
	2. Provision for Charity Care		43,800	44,676
	3. Provisions for Bad Debt		20,000	20,000
		Total Deductions	$ 736,949	$ 822,799
NET OPERATING REVENUE			$ 5,466,857	$ 6,552,831
D.	Operating Expenses			
	1. Salaries and Wages		$ 2,640,785	$ 2,893,731
	2. Physicians Salaries and Wages		66,837	68,842
	3. Supplies		117,529	132,280
	4. Taxes		99,381	133,333
	5. Depreciation		312,642	336,755
	6. Rent			
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates			
	b. Fees to Non-Affiliates		29,959	29,959
	9. Other Expenses (Specify)	See Notes Page	2,144,752	2,335,392
		Total Operating Expenses	$ 5,411,885	$ 5,930,292
E.	Other Revenue (Expenses) -- Net (Specify)		$	$
NET OPERATING INCOME (LOSS)			$ 54,972	$ 622,538
F.	Capital Expenditures			
	1. Retirement of Principal		$	$ 90,000
	2. Interest		509,314	506,479
		Total Capital Expenditures	$ 509,314	$ 596,479
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ (454,342)	$ 26,059

Other Revenues:	2016	2017
Billable Supplies	37,371	41,546
Other Expenses:	**2016**	**2017**
Medicare A	1,097,646	1,221,743
Medicare B	403,500	409,552
Travel, Seminars, Education	26,149	27,009
Equipment	17,278	18,578
Contract & Outside Services	140,704	148,376
Bed Tax	119,225	122,802
Information Technology	32,366	33,337
Lega/Acct/Banking	10,000	10,300
Utilities	86,871	112,532
Repairs	35,484	36,549
Permits, Licenses & Dues	2,484	2,559
Marketing	35,151	36,207
Raw Food	111,319	114,791
Insurance	26,575	41,058
Total Other Expense	2,144,752	2,335,392

SUPPLEMENTAL- # 1
OCTOBER 28
1:24pm

PROJECTED DATA CHART– THE VILLAGE AT GERMANTOWN FOR ONLY THE 20-BED EXPANSION

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

			CY 2016	CY 2017
		Admissions	74	90
A.	Utilization Data	Patient Days	2,768	5,475
B.	Revenue from Services to Patients			
	1. Inpatient Services		$ 1,401,464	$ 2,465,334
	2. Outpatient Services		108,182	109,805
	3. Emergency Services			
	4. Other Operating Revenue (Specify)	See Notes Page	6,781	13,816
		Gross Operating Revenue	$ 1,516,427	$ 2,588,955
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 193,117	$ 269,555
	2. Provision for Charity Care		17,520	17,870
	3. Provisions for Bad Debt		8,000	8,000
		Total Deductions	$ 218,637	$ 295,425
NET OPERATING REVENUE			$ 1,297,791	$ 2,293,530
D.	Operating Expenses			
	1. Salaries and Wages		$ 1,094,331	$ 1,127,969
	2. Physicians Salaries and Wages		9,548	9,834
	3. Supplies		40,788	50,902
	4. Taxes		39,753	40,946
	5. Depreciation		230,656	240,301
	6. Rent			
	7. Interest, other than Capital			
	8. Management Fees			
	a. Fees to Affiliates			
	b. Fees to Non-Affiliates		11,984	11,984
	9. Other Expenses (Specify)	See Notes Page	628,559	777,625
		Total Operating Expenses	$ 2,055,619	$ 2,259,561
E.	Other Revenue (Expenses) -- Net (Specify)		$	$
NET OPERATING INCOME (LOSS)			$ (757,828)	$ 33,969
F.	Capital Expenditures			
	1. Retirement of Principal		$	$ 36,000
	2. Interest		307,307	304,774
		Total Capital Expenditures	$ 307,307	$ 340,774
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ (1,065,134)	$ (306,806)

Other Revenues:	2016	2017
Billable Supplies	6,781	13,816

Other Expenses:	2016	2017
Medicare A	277,411	386,808
Medicare B	93,116	94,513
Travel, Seminars, Education	4,592	5,064
Equipment	6,704	7,223
Contract & Outside Services	28,496	30,376
Bed Tax	47,690	49,121
Information Technology	12,946	13,335
Lega/Acct/Banking	4,000	4,120
Utilities	78,136	80,495
Repairs	14,192	14,619
Permits, Licenses & Dues	991	1,027
Marketing	15,461	15,924
Raw Food	34,193	64,053
Insurance	10,630	10,949
Total Other Expense	628,559	777,625

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Fifteen: Average Charges, Deductions, Net Charges, Net Operating Income		
	CY2016	**CY2017**
Patient Days	12,992	15,742
Admissions or Discharges	186	225
Average Gross Charge Per Day (IP+OP)	$478	$469
Average Gross Charge Per Admission (IP+OP)	$33,354	$32,781
Average Deduction from Operating Revenue per Day	$57	$52
Average Deduction from Operating Revenue per Admission	$3,962	$3,657
Average Net Charge (Net Operating Revenue) Per Day	$421	$416
Average Net Charge (Net Operating Revenue) Per Admission	$29,392	$29,124
Average Net Operating Income after Expenses, Per Day	$4	$40
Average Net Operating Income after Expenses, Per Admission	$296	$2,767

Source: Projected Data Chart

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

Current and projected room and board charges for the SNF are shown below. All rooms are private. These rates will apply regardless of the project and are not influenced by the capital cost of the project.

	Current Per Day Rate 2013	Yr 1 Per Day Rate 2016	Yr 2 Per Day Rate 2017
Private Pay--Resident	$269	$291	$300
Private Pay--Nonresident	$299	$323	$333
Medicare Patients	$459	$480	$487

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

The table below shows the projected average daily charge for this project in 2015, and 2012 average daily charges for VGT SNF and other nursing homes in the service area.

It is not helpful to compare TVG SNF's private room charges--almost all for Medicare skilled care patients--with other providers' charges, because the latter are for dually-certified beds that serve lower-cost intermediate care patients along with skilled care patients.

Table Sixteen: Project Room Rates Of Nursing Homes in the Service Area 2012

	Medicare	Private Pay, All Levels
Facility	Private Room	Private and Semiprivate Rooms
Village at Germantown--Proposed, 2016	$480	$291-$323
Village at Germantown--2012	$459	$269-$299
The Farms at Bailey Station (approved)	$329	$298
Baptist Skilled Unit Germantown	$2,750	$2,534
Grace Healthcare of Cordoba	$436	$155 -$175
Memphis Jewish Home	$451	$270 - $318
Applingwood Healthcare Center	$460	$198 - $212
Dove Health & Rehab--Collierville	$192	$192
Kirby Pines	$303	$209 - $306

Source: Joint Annual Reports, 2012. Representative facilities in Shelby County.

The following page contains a chart showing the most frequent admissions to the Skilled Nursing Facility, with their current Medicare reimbursement, and their projected Years One and Two utilization and average gross charges.

THE VILLAGE AT GERMANTOWN
CHARGE DATA FOR MOST FREQUENT SNF ADMISSIONS

RUG Group		Descriptor	Current Medicare Allowable	Average Gross Charge		
				Current	Year 1	Year 2
12	RUA	Rehabilitation Ultra High	$444.90	$1,151,179	$1,735,427	$1,943,830
11	RUB	Rehabilitation Ultra High	$532.08	$802,909	$1,210,403	$1,355,756
15	RVA	Rehabilitation Very High	$393.75	$129,938	$195,884	$219,407
14	RVB	Rehabilitation Very High	$395.28	$93,088	$140,333	$157,185
10	RUC	Rehabilitation Ultra High	$532.08	$87,793	$132,350	$148,244
21	RMA	Rehabilitation Medium	$269.88	$19,836	$29,903	$33,495
13	RVC	Rehabilitation Very High	$456.45	$30,126	$45,415	$50,869
16	RHC	Rehabilitation High	$397.75	$13,722	$20,687	$23,171
2	RUL	Rehabilitation Ultra High and Extensive	$686.55	$14,418	$21,735	$24,345
17	RHB	Rehabilitation High	$357.98	$6,981	$10,523	$11,787
49	CE1	Clinically Complex with NO Depression	$322.63	$3,388	$5,107	$5,720
18	RHA	Rehabilitation High	$315.16	$2,836	$4,276	$4,789
20	RMB	Rehabilitation Medium	$328.00	$2,952	$4,450	$4,985
55	CB1	Clinically Complex with NO Depression	$249.22	$1,869	$2,818	$3,156

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

The facility currently operates at a positive margin and is expected to open its addition with high occupancy. That will ensure the cost-effectiveness of the capital investment being proposed.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

This is demonstrated by the Projected Data Chart. This is an established facility that will have at least 50% occupancy on the day its expansion is open for occupancy. Its first year utilization will rapidly increase to an average annual occupancy of more than 86% in the second year. Its third year will begin with 90% occupancy. It will be financially viable from the time of its opening. Although the Projected Data Chart indicates a first year operating loss, the facility will have positive cash flow.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

Continuous care retirement communities ask residents to pay substantial fees upon entry, and monthly thereafter. Those fees provide them a life estate in a residence of their choice (which can change as their needs change). They also provide access to extensive support and recreational services in a maintenance-free and very upscale physical setting. Therefore CCRC's like The Village at Germantown are not financially accessible to low-income persons. Moreover, because the SNF at The Village is obligated to hold beds open for residents' use to the extent they need it, and to give priority to residents in its admissions management, it is not feasible to contract with TennCare

(which prohibits prioritizing admissions). But SNF services are provided to Medicare enrollees, a category that includes almost all Village residents.

The table below shows total gross revenue anticipated from Medicare and TennCare/Medicaid in the proposed 50-bed facility in Year One. It should be pointed out that in this CCRC, almost all residents of the community are 65 or more years of age. Skilled care beds are often needed by persons of Medicare age, who are not eligible for Medicare skilled care reimbursement because they have not had a prior hospital stay. So although the Medicare payor mix on gross revenues is 57.5%, almost all of the admissions will be persons who are of Medicare age.

Table Seventeen: Medicare and TennCare/Medicaid Revenues, Year One		
	Medicare	**TennCare/Medicaid**
Gross Revenue	$4,705,978	0
Percent of Gross Revenue	75.86%	0

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

These are provided as Attachment C, Economic Feasibility--10.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

The option of maintaining the SNF at its present 30-bed level was rejected because its beds are already utilized at their limits; residents in The Village are aging and will be placing increasing demand on the SNF. Thirty-seven new residents are expected to enter the community over the next few years and they will create additional demand.

The option of requesting fewer beds was rejected because management projects needing all 20 proposed SNF beds, and forecasts that the expanded facility will experience 90% occupancy at the end of Year Two of its operation.

New construction was rejected as a means of adding beds, because space sufficient to add 20 more SNF beds at a lower overall cost will soon become available adjacent to the existing SNF in the Health Services Building.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

The applicant has emergency transfer agreements with both Methodist Hospital Germantown (1.2 miles away) and Baptist Memorial Hospital (4.5 miles away). Historically, the Village at Germantown has had a close relationship with Methodist Healthcare, whose support from the earliest days has been invaluable. The Village's six-person Board currently includes three officers of three different Methodist hospitals in the service area. However, there is no direct, or indirect, financial or ownership relationship between that healthcare system and the Village at Germantown.

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

The project will be of significant benefit to CCRC residents who are investing heavily in a residential environment in which they can live safely and less stressfully for the rest of their lives. They have access to convenient on-site non-acute health services that do not require difficult travel outside the grounds. As they age and have increasing health issues, they can obtain the non-acute care they require without having to face long-term or permanent separation from their friends, from familiar and comfortable surroundings, and from staff of known quality and compassion.

The project does not create unacceptable duplication or competition because of the large number of additional beds needed in the service area, and the rapid increase in population in the zip codes of the primary service area. It is not expected to adversely impact the utilization of skilled nursing beds at other area facilities.

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

Please see the following page for a chart of projected FTE's and salary ranges.

The Department of Labor and Workforce Development website indicates the following Memphis MSA's hourly salary information for clinical employees similar to those of this project, published June 2013.

Table Eighteen: TDOL Surveyed Average Hourly Salaries for the Region

Position	Entry	Mean	Median	Experienced
RN	$23.70	$29.10	$28.80	$31.80
LPN	not surveyed			
Nursing Assistant	$9.35	$11.30	$11.10	$12.45
Medical Social Worker	$16.55	$25.20	$25.30	$29.55
Dietician	$17.70	$24.80	$24.65	$28.35

Table 18: The Village at Germantown Skilled Nursing Facility Current and Projected Staffing Pattern				
Position Type (RN, etc.)	**Current FTE's**	**Year One FTE's**	**Year Two FTE's**	**Salary Range (Hourly)**
Administrator	0.60	0.60	0.60	$59 Hour
Director of Nursing	0.60	0.60	0.60	$34 Hour
Nurse Scheduler	0.75	0.75	0.75	$14 Hour
MDS/ Staff Coord	1.75	1.75	1.75	$25 Hour
RN	4.39	7.19	7.19	$30 Hour
LPN	5.83	8.63	8.63	$20 Hour
CMA/CNA	14.66	16.06	19.56	$12 Hour
Social Worker	0.95	0.95	0.95	$19 Hour
Medical Records	0.90	0.90	0.90	$15 Hour
Receptionist	0.84	0.84	0.84	$10 Hour
Activities	1.19	1.69	1.69	$14 Hour
Accounting	1.40	1.40	1.40	$24 Hour
Human Resources	0.45	0.45	0.45	$24 Hour
Dining Services Director	0.24	0.24	0.24	$40 Hour
Assistant Dining Director	0.24	0.24	0.24	$23 Hour
Dining Manager	0.24	0.24	0.24	$17 Hour
Certified Dietary Manager	0.24	0.24	0.24	$19 Hour
Executive Chef	0.24	0.24	0.24	$28 Hour
Cooks	1.44	1.44	1.44	$15 - $17 Hour
Kitchen Utility	0.76	0.76	0.76	$10 - $11 Hour
Dietician	0.24	0.24	0.24	$23 Hour
Servers	1.70	1.83	1.83	$10 - $11 Hour
Maintenance & Security	1.58	1.58	1.58	$13 - $26 Hour
Housekeepers	3.59	3.60	3.61	$10 - $15 Hour
Total FTE's	44.82	52.46	55.97	

Source: Facility Management

C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

This expansion can be accomplished with minimal addition of staff. The working environment at The Village SNF is excellent and applicants for clinical positions there have always been more than enough to maintain staffing with highly trained professionals.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

This small skilled care facility does not have, or anticipate, clinical rotations for students of health profession schools.

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

LICENSURE: Board for Licensure of Healthcare Facilities
Tennessee Department of Health

CERTIFICATION: Medicare Certification from CMS

ACCREDITATION: Not applicable.

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

The applicant is currently licensed in good standing by the Board for Licensing Health Care Facilities, and is certified for participation in Medicare.

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

They have been addressed. See documentation in Attachment C, Orderly Development--7(C).

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

The SNF expansion renovation cannot begin until late 2015, when that building's assisted living residents move to a new building on the campus that will not be completed until then. The renovation of the SNF building will then occur in stages described on pages 7-8 of this application. The 20 additional beds for which CON is requested will first be open by August 15, 2015; and at that time the licensed complement will be 60 beds. However, renovation of existing beds will continue until the end of 2016. So the applicant is requesting an extension of the period of validity to a total of three years.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):
1-22-14

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

The schedule below pertains to the entire construction project, not just to the date in late 2015 when the facility's licensed complement will reach 60 beds.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	10	2-1-14
2. Construction documents approved by TDH	143	5-15-14
3. Construction contract signed	144	5-16-14
4. Building permit secured	148	5-20-14
5. Site preparation completed	156	5-28-14
6. Building construction commenced (on new AL/Memory Care Building)	157	5-29-14
7. Construction 40% complete (open new AL/Memory Care Building)	460	4-3-15
8. Construction 80% complete (open 20 new SNF beds in HCC Wing B)	583	8-6-15
9. Construction 100% complete (open all 50 SNF beds for occupancy)	723	1-26-16
10. * Issuance of license (for 20 Wing B SNF beds; see step 8 above)	582	8-5-15
11. *Initiation of service of all renovated beds	725	1-28-16
12. Final architectural certification of payment	755	2-28-16
13. Final Project Report Form (HF0055)	815	4-28-16

***For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

INDEX OF ATTACHMENTS

A.4--Ownership
Legal Entity and Organization Chart

The Village at Germantown Board of Directors

Call us at 901-737-4242 (Independent Living) or 901-752-2580 (Healthcare)

William Kenley,Vice President and CEO, FACHE Methodist Le Bonheur Germantown Hospital, Chairman

William Kenley is CEO at Methodist Le Bonheur Germantown Hospital. William joined Methodist Le Bonheur Healthcare in 2003 as CEO of Methodist North Hospital. Since joining Methodist, William has also assumed responsibility for Methodist Fayette Hospital.William graduated with a BS from Radford University, majoring in chemistry and biology. He completed training as a medicaltechnologist in the School of Medicine at Duke University. William holds a Masters in Healthcare Administration from Duke University.William is chair of the Memphis American Heart Association Heart Walk and is on the March of Dimes Board. William attends Germantown Methodist Church where he serves on the Stewardship Committee. William, his wife, Carol, and their children, Jack and Grace, reside in Germantown.William has several favorite sayings, perhaps the most noted being "Failure is not an option".

David Peck,President and CEO, Peck Investment Company

David C. Peck is a native Memphian and graduated from Memphis State University- BBA Degree with a double major in Chemistry and Sales and a minor in Marketing. He entered the United States Air Force Reserve and received his honorable discharge in 1969. He began his career in commercial real estate development and served as the President and CEO to The Weston Companies for over 30 years. After his retirement from The Weston Companies in June, 2006, Mr. Peck formed Peck Investment Company, LLC in order to pursue limited development, brokerage and investment opportunities in commercial real estate. He is the 2004 recipient of The Lifetime Achievement Award from Lambda Alpha, an international society of land economics and development; he serves on the board for Methodist Health Systems, Inc., Methodist Hospitals of Memphis; Multiple Sclerosis Society and is a member and former Chair of Trustees for Christ United Methodist Church. He is the founding member and Board of Directors of Victory Bank & Trust; Trustee of the University of Memphis Foundation and Member, Advisory Board of the University of Memphis' The Fogelman College

of Business and Economic. Mr. Peck is married and has three children.

Donna Abney, Executive Vice President, Methodist Le Bonheur Healthcare
Donna Abney has been Executive Vice President of Methodist since September 2002. Senior Vice President since October 1995, with responsibility for Physician Services, Information Systems, Marketing, Planning and Communications. Ms. Abney earned a Master of Business Administration degree and a Bachelors degree in Advertising from the University of Memphis. Previously, she was Senior Vice President for Marketing and Planning of Le Bonheur Health Systems, Inc. from October 1991 to October 1995, and Vice President and Director of Marketing of Le Bonheur Children's from January 1983 to October 1991. Prior to that time, Ms. Abney held marketing jobs outside the health care field. Ms. Abney serves on the Board of Directors of Health Choice, LLC of Memphis, the Villages of Germantown, Healthy Memphis Common Table and the University of Memphis Research Foundation. She is a past President of the American Marketing Association, Leadership Memphis, the American Red Cross and past chair of the Board of Trustees of Southern College of Optometry. Ms. Abney was awarded an honorary doctorate from Southern College of Optometry in 2011 and received the Leadership Memphis Kate Gooch Award for service to the Alumni Association in May 2002.

James McLaren, Partner at Adam and Reese's, leader of the Economic Development Practice Team
James B. McLaren, Jr. is a partner in Adam and Reese's Memphis office and the leader of the firm's Economic Development Practice Team. Mr. McLaren's practice is devoted primarily to economic development within the greater Memphis metropolitan area. He represents clients in the areas of public finance, real estate development, commercial lending and mergers and acquisitions. Since 1990, Mr. McLaren has represented Memphis City Center Commission and its related entities in connection with the redevelopment of downtown Memphis. Additionally, he has represented them in conjunction with the planning and implementation of all aspects of all the redevelopment including tax incentives, tax increment financing, public-private partnerships, project development, land assembly and transactions involving Historic Tax credits. Mr. McLaren also assists companies in establishing and expanding industrial and commercial operations including land assembly, project finance, state and local government incentives and public private partnerships. In the area of public finance, he represents issuers and borrowers in hospital financings and 501(c)(3) financings. Additionally, he has served as bond counsel and borrower's counsel in connection with low-income housing projects, industrial facilities and sports facilities. In his commercial lending and mergers and acquisitions practice, he represents lenders and borrowers in transactions involving chemical companies, hospitals, distributors and real estate development; and has worked with clients in the acquisition and sale of such companies. He received his Bachelor of Arts degree from the University of Tennessee at Knoxville in 1977, and he earned his Juris Doctorate from Washington and Lee University School of Law in 1982, where he was a member of Law Review. Mr. McLaren is listed in Best Lawyers in America and Mid-South Super Lawyers. Some of Mr. McLaren's recent economic expansion deals include: representation of the Memphis Center City Commission and related entities in connection with the redevelopment of Downtown Memphis since 1990; structuring, site acquisition, development and financing of Autozone Park in Downtown Memphis; representation of Memphis Center City Revenue Finance Corporation in connection with over 150 tax abatement transactions; structuring and financing of public private partnerships including 102 room Mariott and adjoining parking deck across from Fed Ex Forum in Memphis; representation of developers in connection with tax credit transactions.

John M. Dobson MD, F.A.C.R.
Dr. Dobson was raised in Kingsport, TN. He attended the Vanderbilt University in Nashville and then attended the University of Tennessee Medical School in Memphis. He served his internship and residency in diagnostic and therapeutic radiology at Methodist Hospital in Memphis. He is board certified in diagnostic and therapeutic radiology. He joined the

Memphis Radiological Professional Corporation and practiced Radiology at Methodist Hospitals for 37 years. During this time, he served as Chief of Staff at both Methodist South and Methodist Central. He also served on the board of Methodist Healthcare Systems. During this time, he also served on the Executive Committee on the Methodist Healthcare Systems. He has been married for over 50 years to his wife Carolyn and they have 3 children and 1 granddaughter. He enjoys fishing and spending time with his granddaughter.

Chris McLean is Executive Vice President of Finance and Chief Financial Officer of Methodist. Prior to his appointment to Executive Vice President of Finance and Chief Financial Officer of Methodist in October 2001, Mr. McLean was Vice President of Finance of Methodist Memphis. Mr. McLean rejoined Methodist in 1998 after spending six years as Chief Financial Officer at hospital systems in East Tennessee. He began his health care career at Methodist in 1984 in corporate finance and returned to Methodist as Vice President of the Mississippi division. He holds a Bachelor of Science in Accounting from Christian Brothers College (now Christian Brothers University) and a Master of Business Administration from Memphis State University (now the University of Memphis). Mr. McLean is a member of the Tennessee Society of Certified Public Accountants and the Healthcare Financial Management Association. He also serves on the boards of Health Choice, LLC, Wesley Housing Corporation of Memphis, Inc., Leadership Memphis and is Treasurer or Assistant Treasurer of Methodist Memphis and each of the Restricted Affiliates.

Board Members:

1 **William Kenley, FACHE Chairman**
Sr. Vice President/CEO
Methodist Germantown Hospital
7691 Poplar Avenue
Germantown, TN 38138
Ph: 901.516.6967
Fax: 901-516-6669
E-mail: kenleyw@methodisthealth.org
Assistant: Carol Devers deversc@methodisthealth.org

2 **David Peck**
Peck Investment Company
1661 Aaron Brenner Dr. Suite 103
Memphis, TN 38120
Ph: 901.684.6300
Hm: 901.682.0274
Cell: 212.7768
E-mail: dc.peck@peckinvestmentco.com

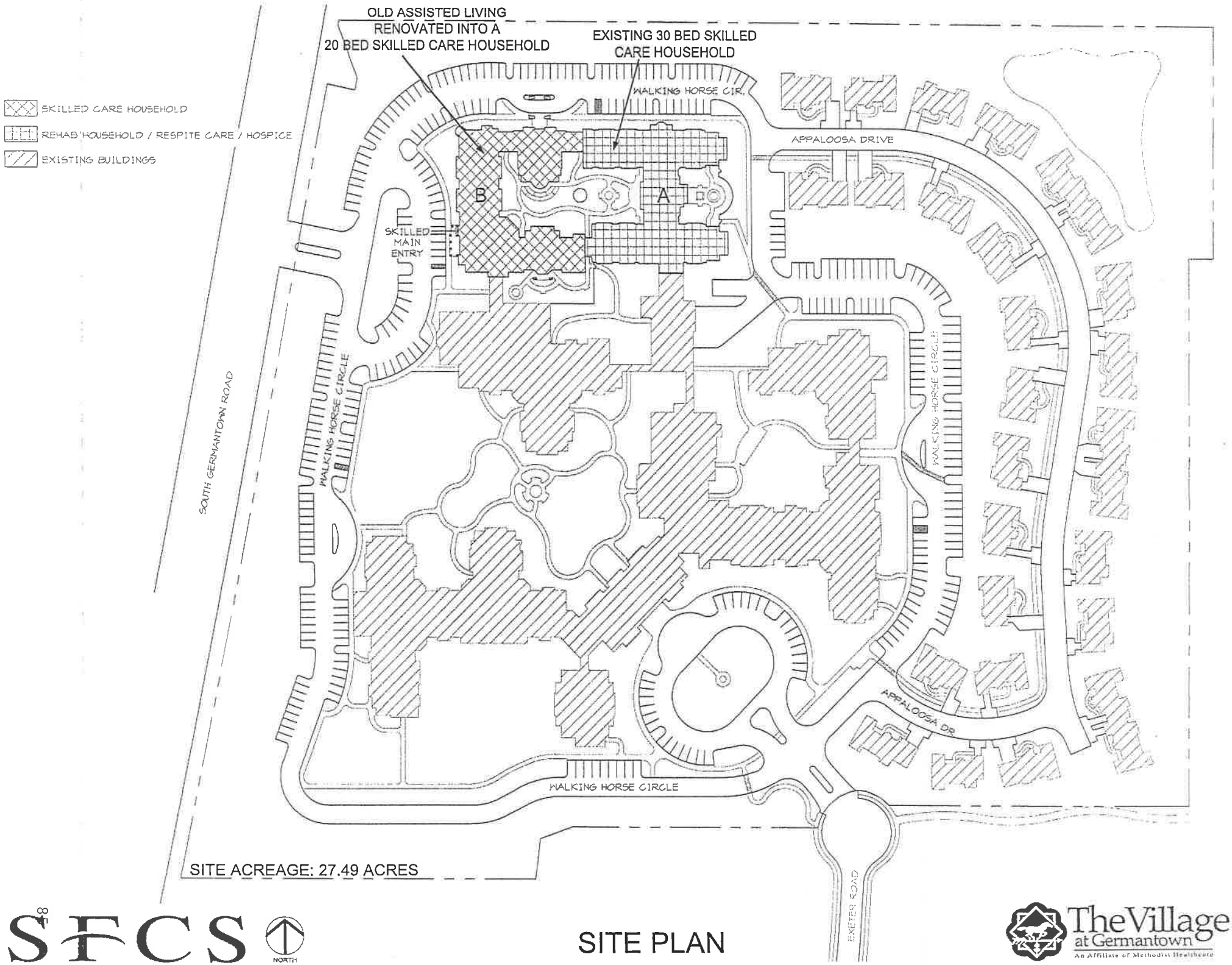
3 **Dr. John Dobson**
1280 East Massey Road
Memphis, TN 38120
Ph: 685.5893
Cell: 229.2582
E-mail: jdobson2@comcast.net

4 **Donna Abney**
Executive Vice President
Methodist Le Bonheur Healthcare
1211 Union Avenue, Suite 700
Memphis, TN 38104
Phone: 901-516-0549
(fax) 901-516-0558
E-mail: abneyd@methodisthealth.org
Assistant: Dallas Evans evansd@methodisthealth.org

5 **Chris McLean**
CFO Methodist Healthcare
1211 Union Avenue, Suite 700
Memphis, TN 38104
Phone: 901-516-0696
Cell: 901-619-5001
E-mail: chris.mclean@mlh.org

Legal Counsel
James B. McLaren, Jr.
Adams and Reese LLP
80 Monroe Avenue, Suite 700
Memphis, TN 38103
Direct: (901) 524-5277
Cell: (901) 833-3367
Main: (901) 525-3234
Fax: (901) 524-5419
E-mail: james.mclaren@arlaw.com
www.adamsandreese.com
Asst: Rae Millard

B.III.--Plot Plan

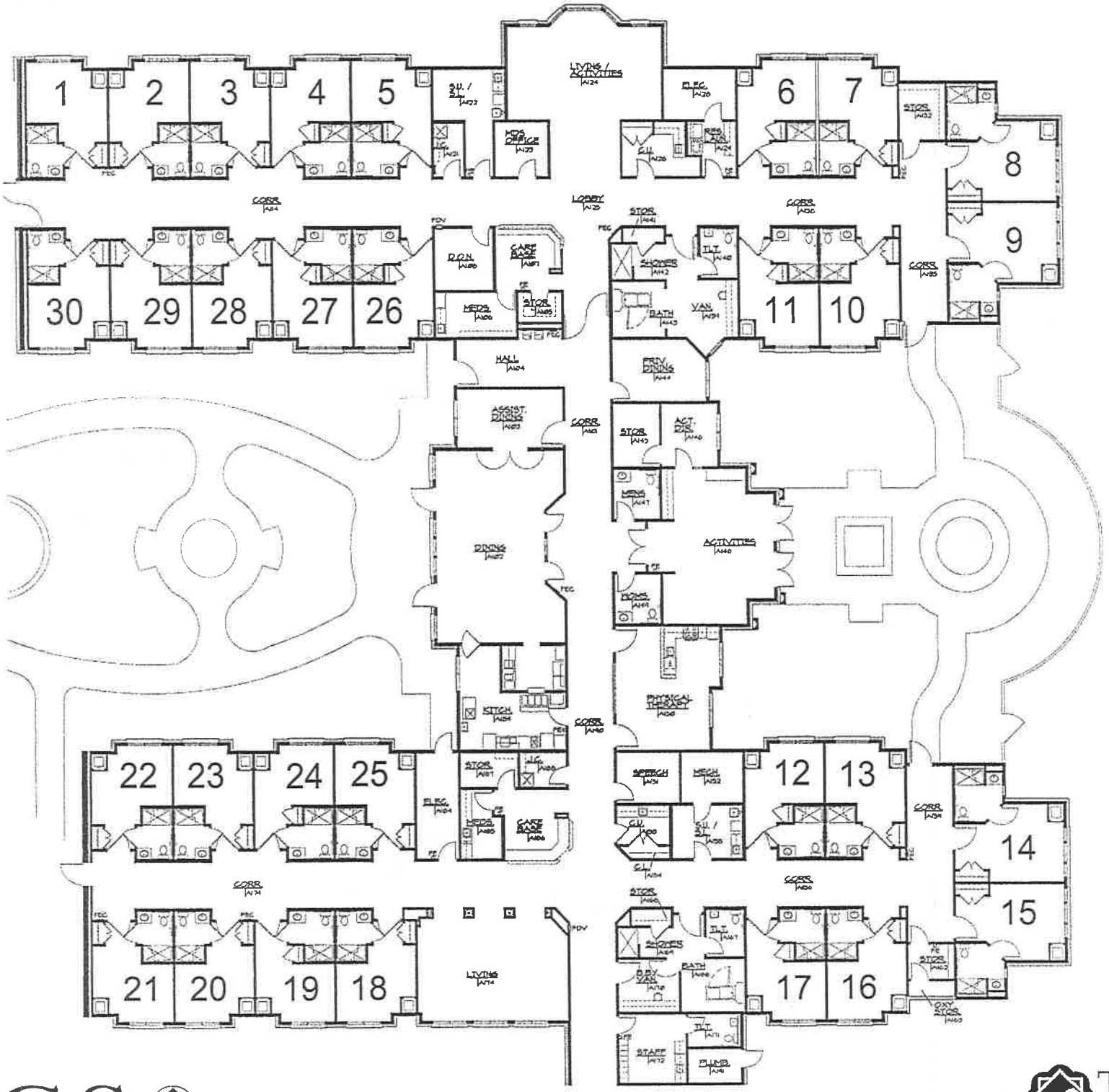


SFCS

SITE PLAN

The Village at Germantown
An Affiliate of Methodist Healthcare

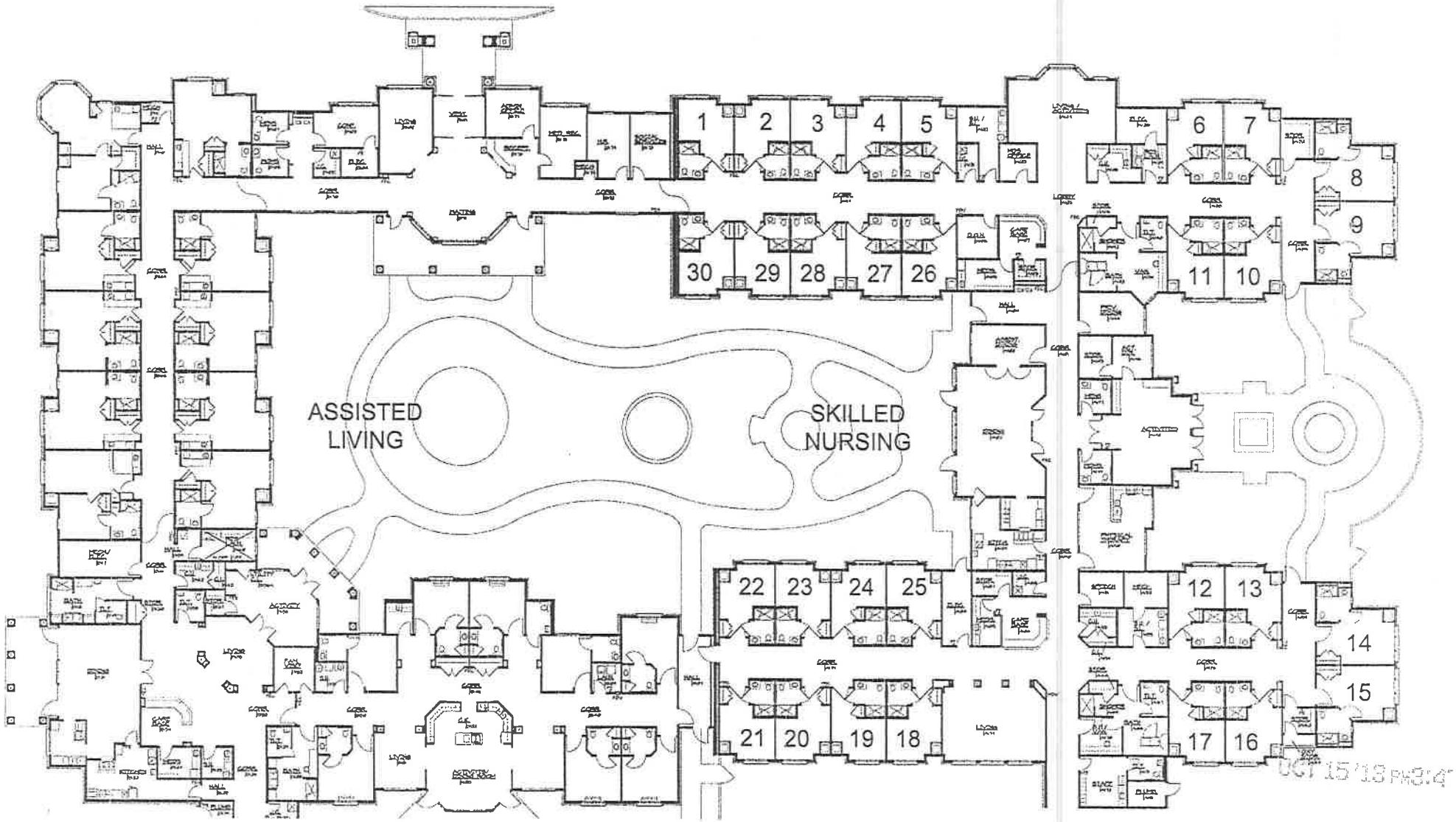
B.IV.--Floor Plan



SECS

EXISTING WING A (30 SKILLED NURSING BEDS)

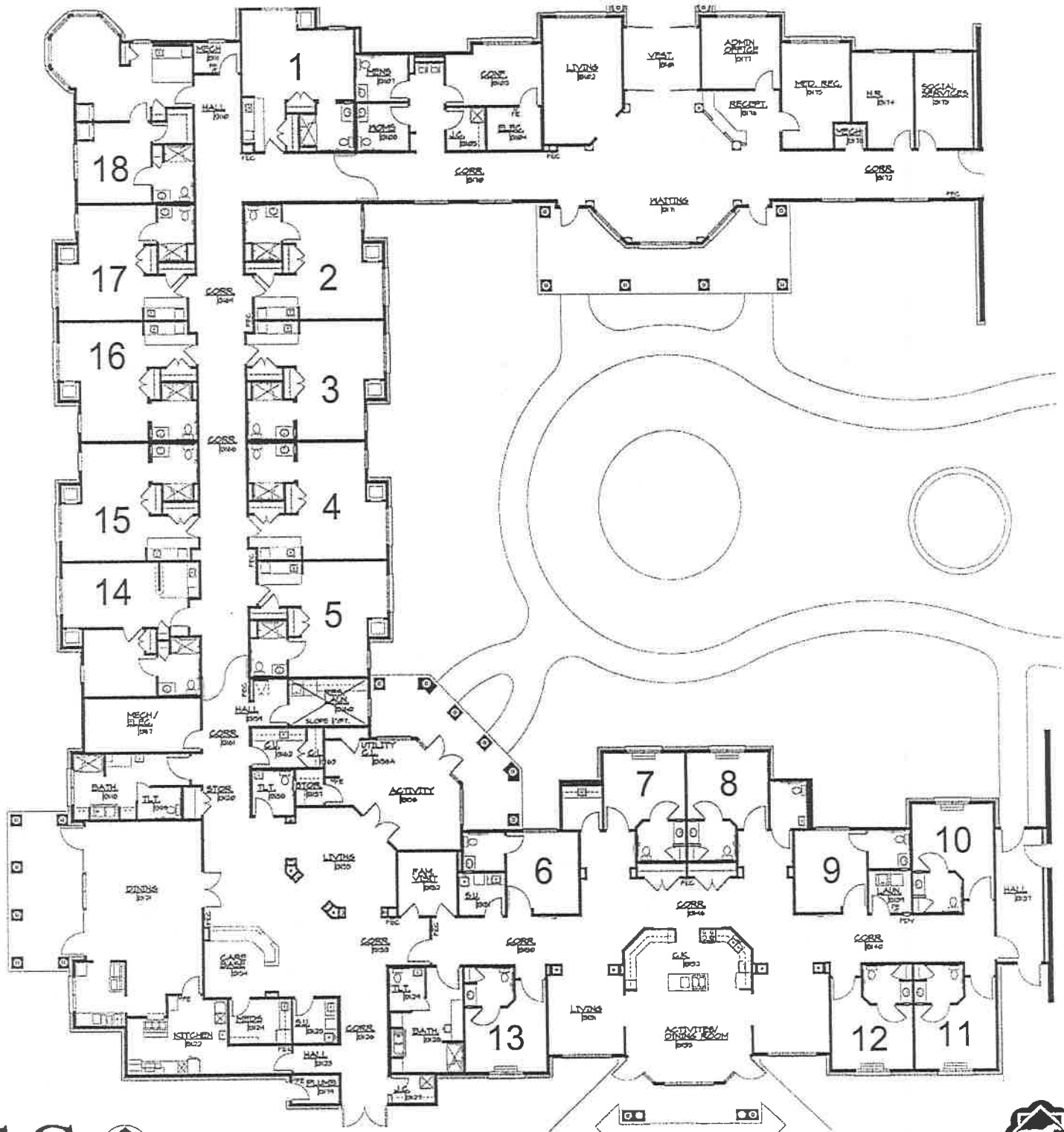
The Village at Germantown
An Affiliate of Methodist Healthcare



SFCS NORTH

ENTIRE EXISTING PLAN

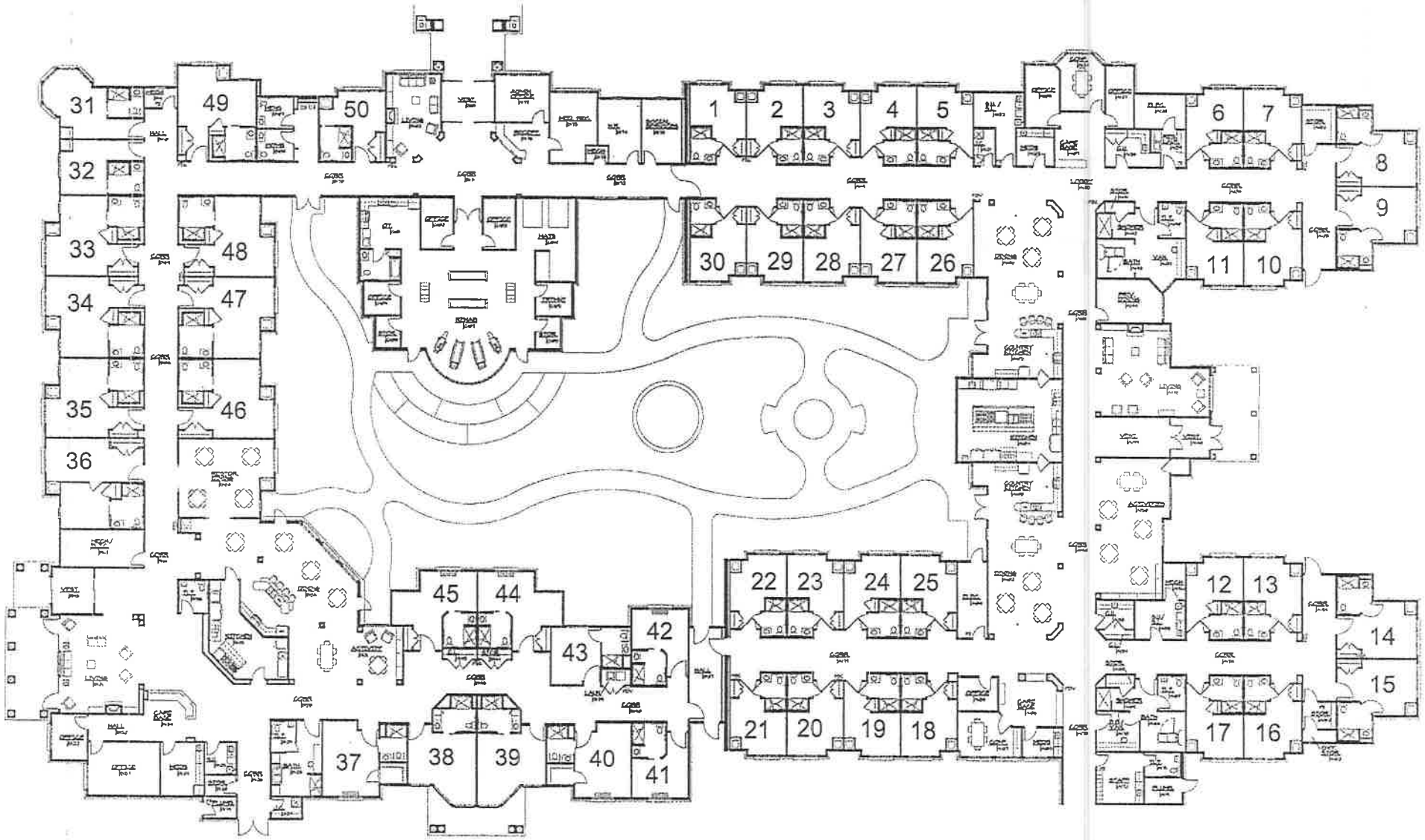
The Village at Germantown
An Affiliate of Methodist Healthcare



EXISTING WING B (ASSISTED LIVING ONLY)

SFCS

The Village at Germantown
An Affiliate of Methodist Healthcare



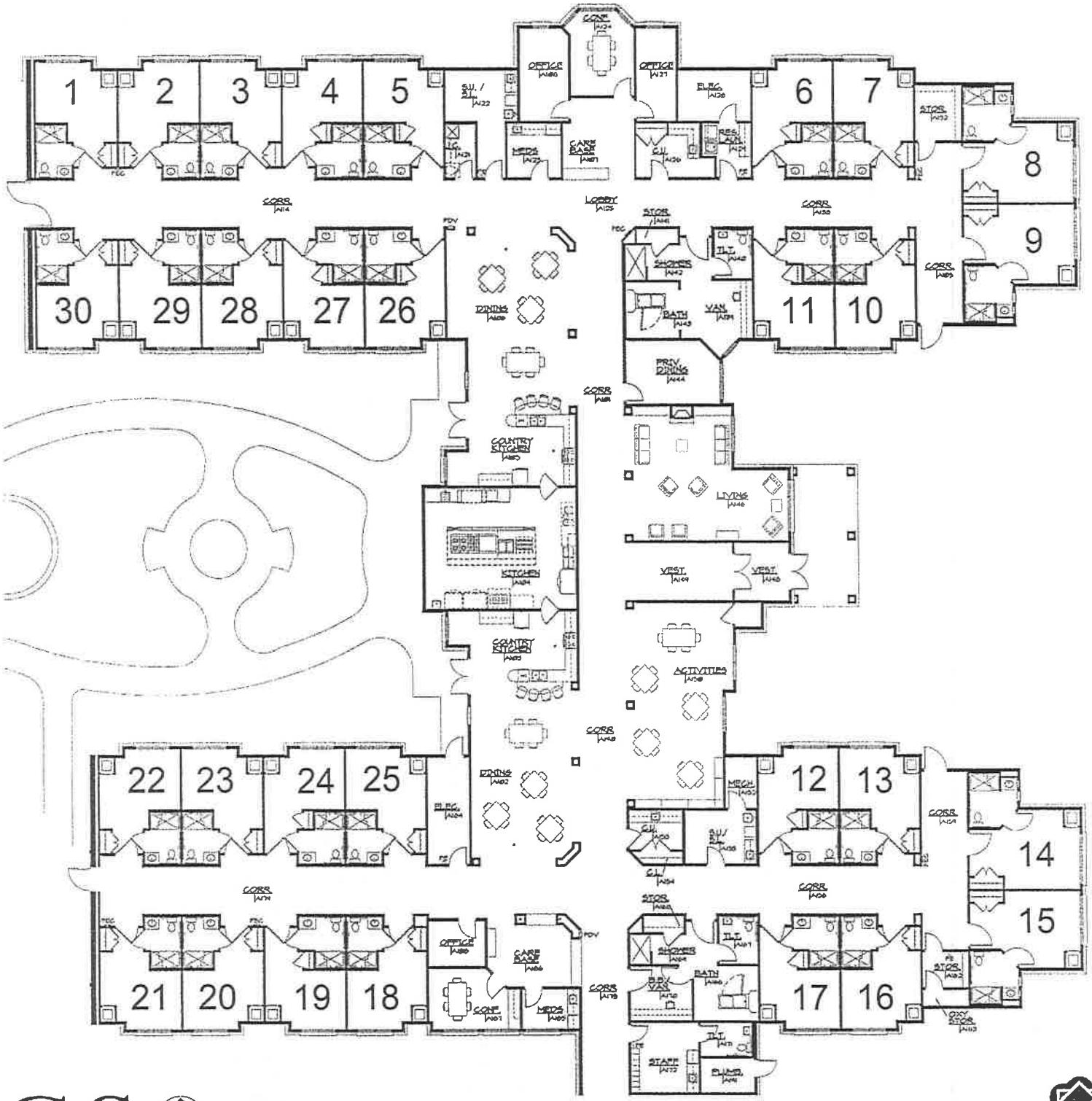
WING B
(20 SKILLED NURSING BEDS)

WING A
(30 SKILLED NURSING BEDS)

SFCS NORTH

ENTIRE RENOVATED PLAN

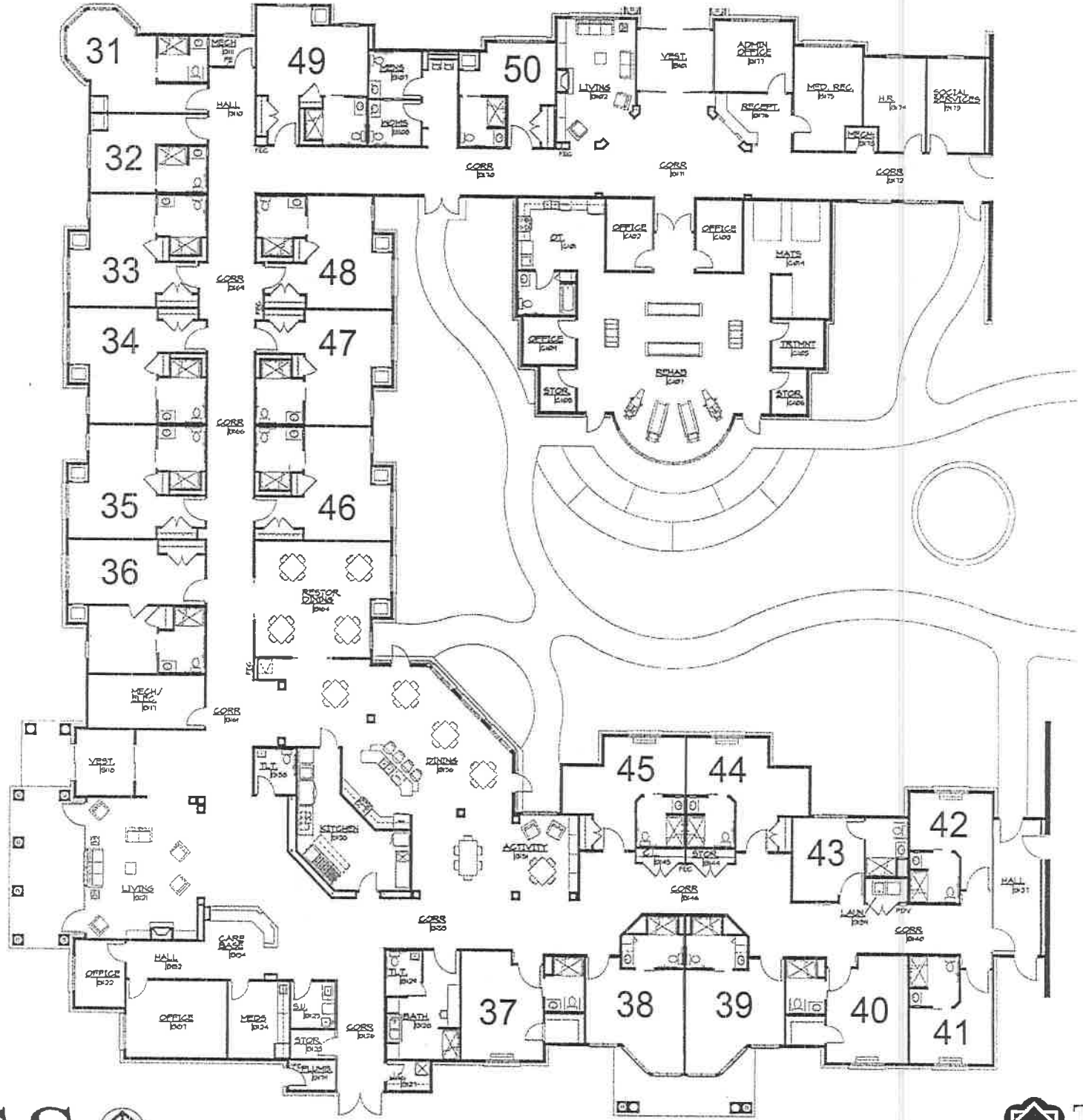
The Village at Germantown
An Affiliate of Methodist Healthcare



RENOVATED WING A

SECS

The Village at Germantown
An Affiliate of Methodist Healthcare



SFCS

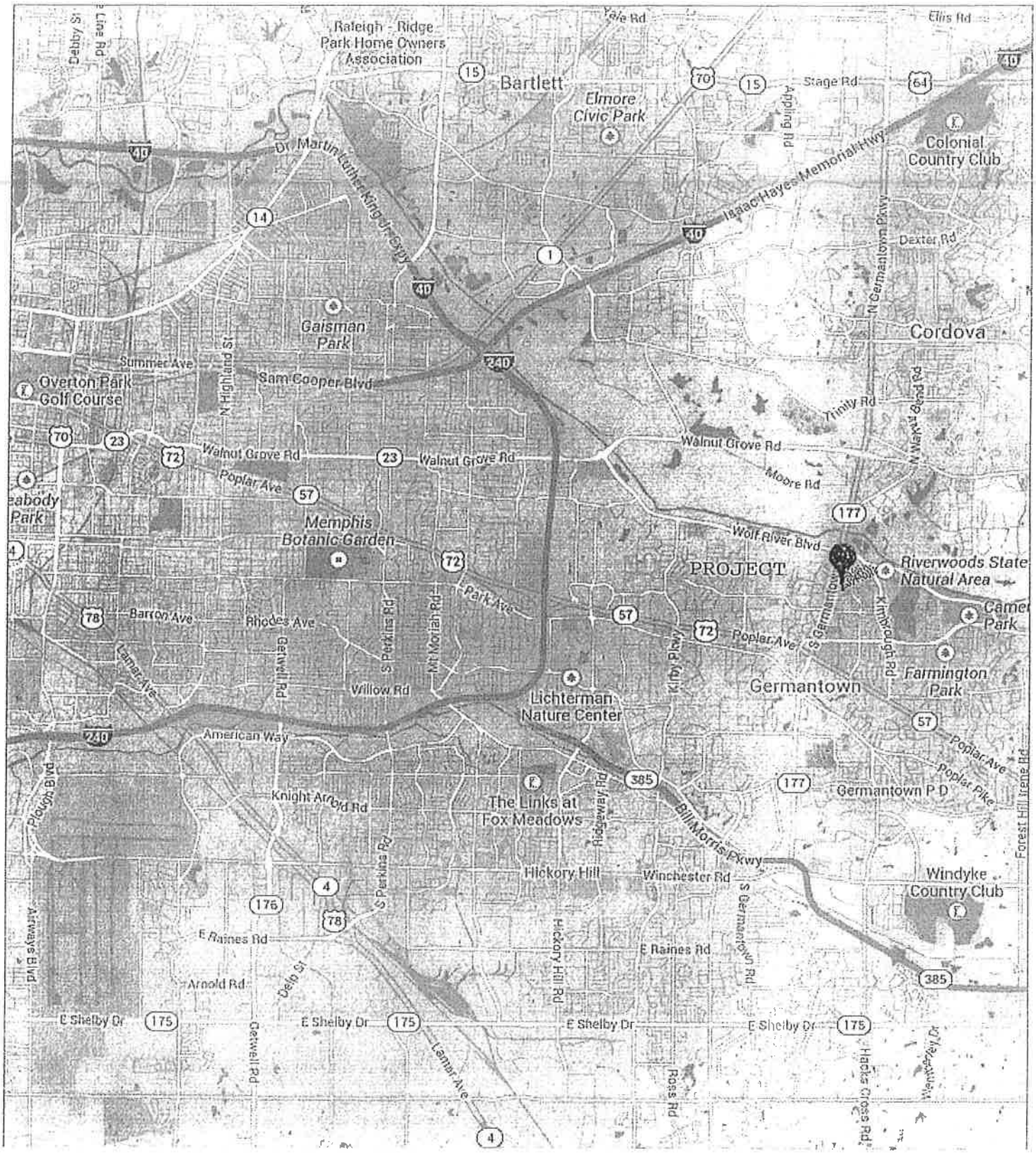
RENOVATED WING B

The Village at Germantown
An Affiliate of Methodist Healthcare

C, Need--3
Service Area Maps

To see all the details that are visible on the screen, use the "Print" link next to the map.

Google



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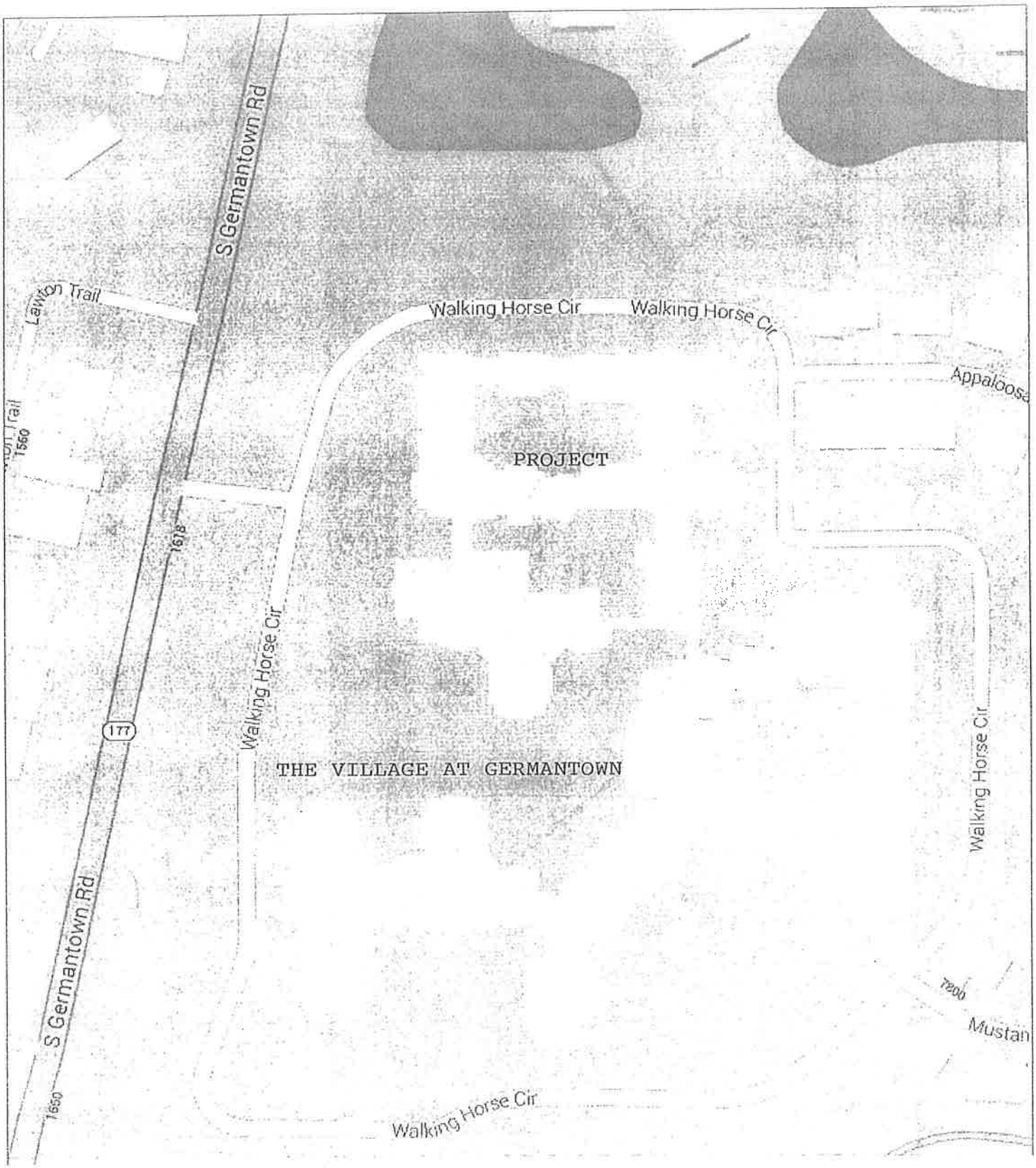

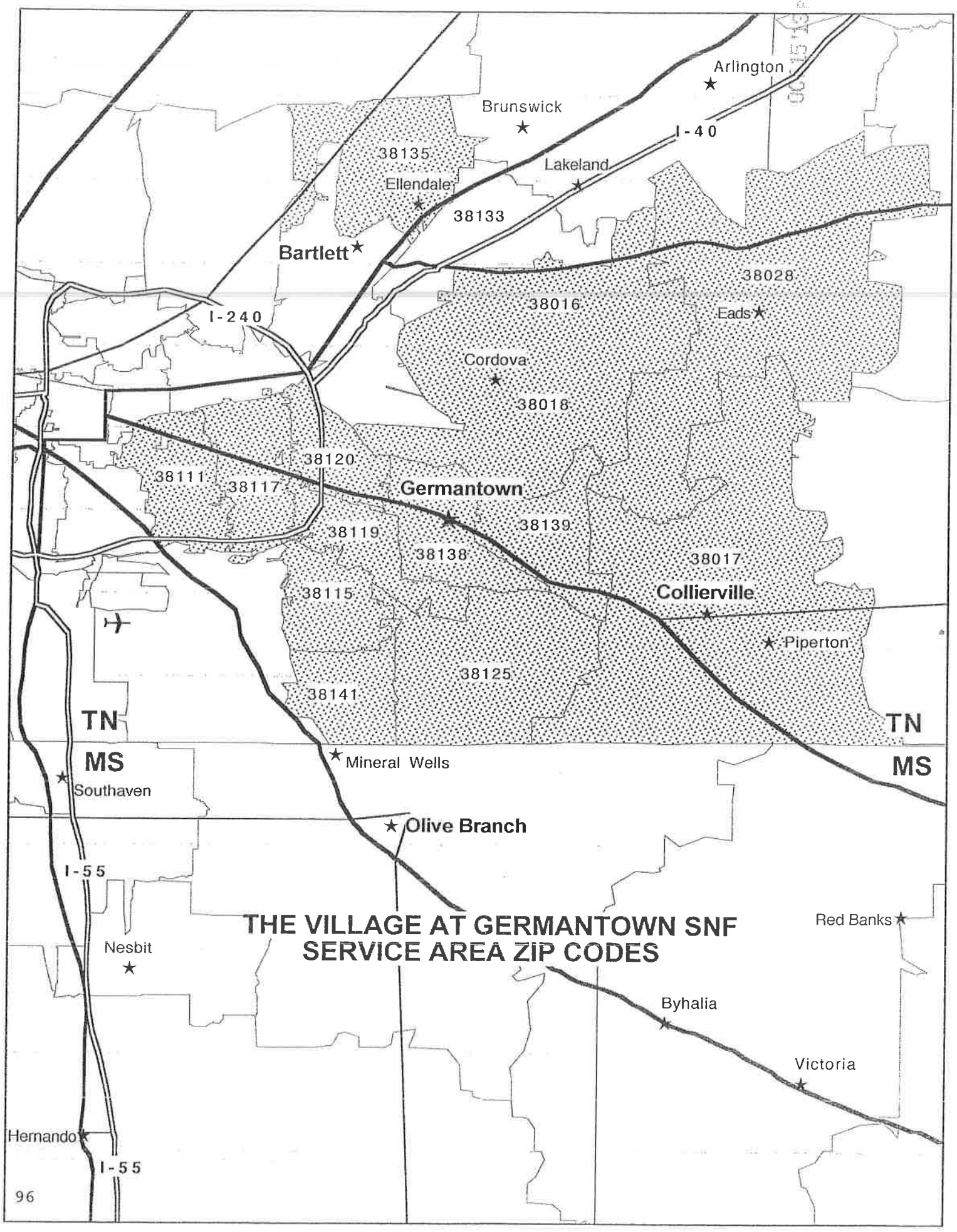
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Bartlett
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Eads
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Cordova
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38120
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Germantown
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38017
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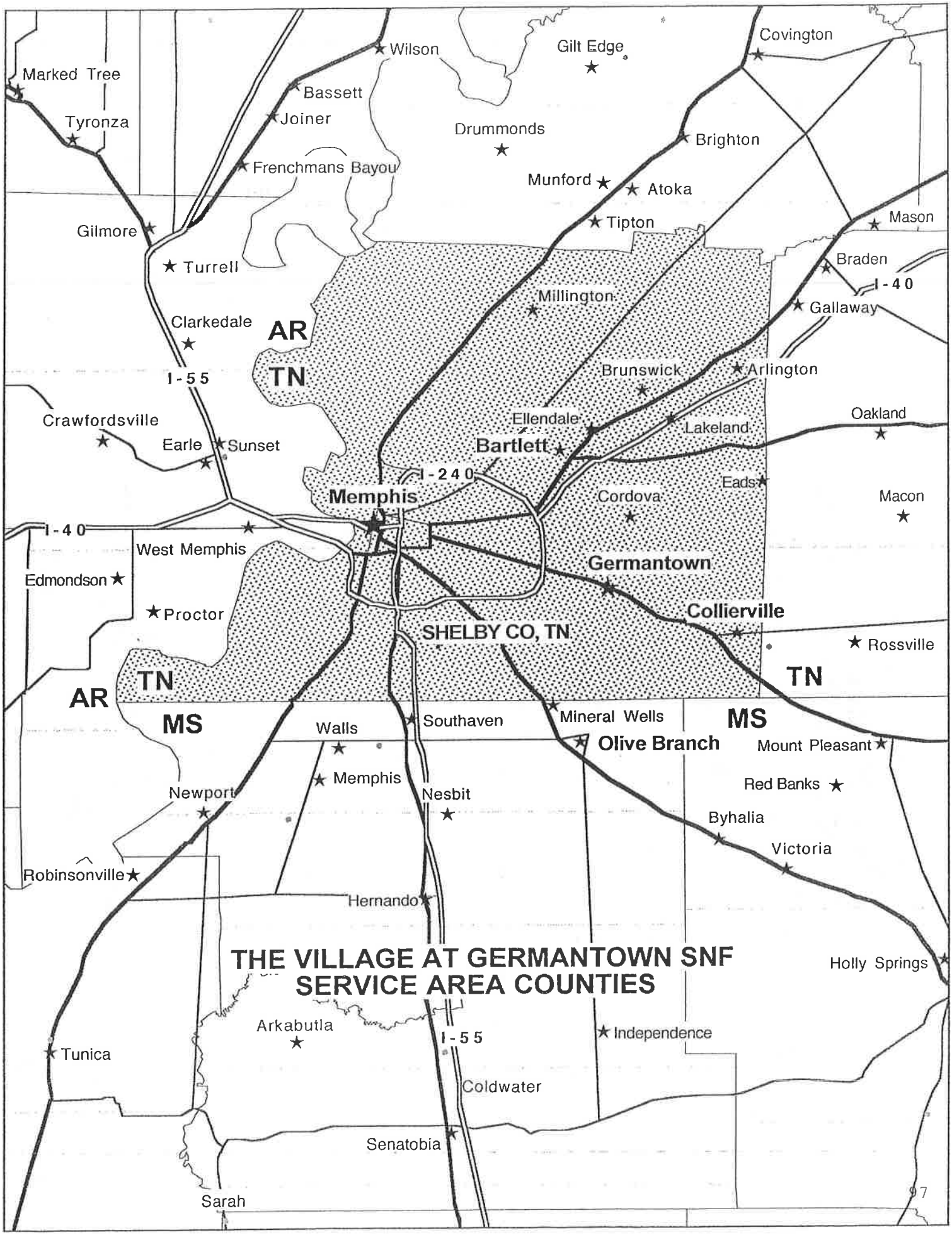
Collierville
Piperton
38125
38141
TN
MS
Mineral Wells
TN
MS
Southaven
Olive Branch
I-55
THE VILLAGE AT GERMANTOWN SNF
SERVICE AREA ZIP CODES
Red Banks
Nesbit
Byhalia
Victoria
Hernando
I-55
96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Bassett
Joiner
Gilt Edge
Covington
Drummonds
Brighton
Frenchmans Bayou
Munford
Atoka
Tipton
Mason
Gilmore
Turrell
Braden
I-40
Millington
Gallaway
Clarkedale
AR
TN
I-55
Brunswick
Arlington
Crawfordsville
Ellendale
Oakland
Lakeland
Earle
Sunset
Bartlett
I-240
Eads
Memphis
Cordova
Macon
I-40
West Memphis
Germantown
Edmondson
Proctor
Collierville
SHELBY CO, TN
Rossville
TN
AR
MS
Walls
Southaven
Mineral Wells
MS
Olive Branch
Mount Pleasant
Memphis
Red Banks
Newport
Nesbit
Byhalia
Victoria
Robinsonville
Hernando
THE VILLAGE AT GERMANTOWN SNF
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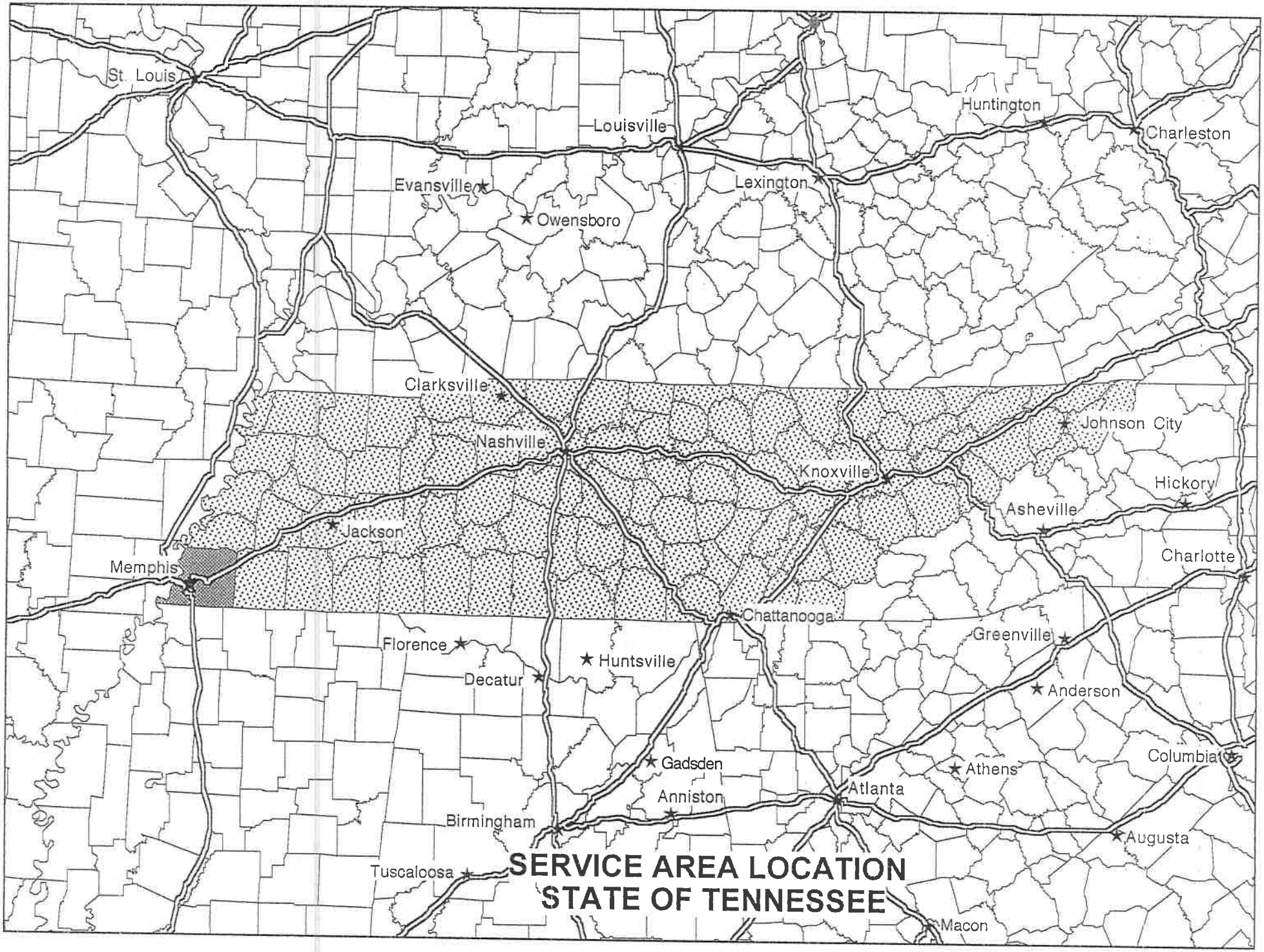
Arkabutla
I-55
Independence
Tunica
Coldwater
Senatobia
Sarah


St. Louis
Louisville
Huntington
Charleston
Evansville
Owensboro
Lexington
Clarksville
Nashville
Johnson City
Knoxville
Hickory
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Memphis
Charlotte
Chattanooga
Greenville
Florence
Huntsville
Decatur
Anderson
Gadsden
Athens
Columbia
Atlanta
Anniston
Birmingham
Augusta
Tuscaloosa
SERVICE AREA LOCATION
STATE OF TENNESSEE
Macon

C, Economic Feasibility--1
Documentation of Construction Cost Estimate

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: New Inpatient Psychiatric Hospital
Crestwyn Health Group, LLC
Memphis, Tennessee

02 October 2013

Ms. Hill,

Per our recent conversation with John Wellborn, an attorney working with Crestwyn Health Group, LLC on a Certificate of Need submission, we have prepared the following supporting documentation for your review.

I have reviewed the construction cost estimate provided by Crestwyn Health Group, LLC in the CON Submission. Based on my experience and knowledge of the current healthcare market, it is my opinion that the projected cost of $14,262,500 appears to be reasonable for a project of this type and size.

Additionally, please note that the Project will be designed in compliance with all applicable State and Federal Codes and Regulations, including the following:

- → Guidelines for the Design and Construction of Health Care Facilities
- → Rules of the Tennessee Department of Health Boa5rd for Licensing Health Care Facilities
- → International Building Code
- → National electrical Code
- → National Fire Protection Association (NFPA)
- → Americans with Disabilities Act (ADA)

If you have any questions or comments regarding this information, please do not hesitate to contact our office at your convenience.

Thank you.

Bradford P. Stengel, AIA
Architect
Tennessee Professional Architect License #00102523

613 WEST MAIN STREET LOUISVILLE, KENTUCKY 40202
tel: 502.893.1875 fax: 502.893.1876 www.stengelhill.com

C, Economic Feasibility--2
Documentation of Availability of Funding

NEW ISSUE –BOOK ENTRY ONLY UNRATED

In the opinion of Bond Counsel, under current law and subject to the conditions described in "TAX MATTERS" interest on the Series 2012 Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations and (c) is exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance transfer and estate taxes and except that interest may not be exempt from Tennessee franchise and excise taxes. Such interest may be included in the calculation of a corporation's alternative minimum income tax and may be subject to other federal tax consequences as described in "TAX MATTERS."

$39,960,000
THE HEALTH, EDUCATIONAL AND HOUSING FACILITY BOARD OF THE COUNTY OF SHELBY, TENNESSEE
Residential Care Facility Mortgage Revenue Refunding Bonds (The Village at Germantown) Series 2012

The Village at Germantown

Dated: Date of Delivery **Due:** See Inside Cover

At the request of The Village at Germantown, Inc., a Tennessee non-profit corporation (the "***Village***"), The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee (the "***Issuer***"), is issuing its $39,960,000 Residential Care Facility Mortgage Revenue Refunding Bonds (The Village at Germantown), Series 2012 (the "***Series 2012 Bonds***"), pursuant to a Bond Indenture dated as of December 1, 2012 (the "***Bond Indenture***"), between the Issuer and Wells Fargo Bank, National Association, as bond trustee (the "***Bond Trustee***"). The Series 2012 Bonds are limited obligations of the Issuer, payable from payments to be made by the Village to the Bond Trustee pursuant to a Loan Agreement dated as of December 1, 2012 (the "***Loan Agreement***"), between the Issuer and the Village, and pursuant to the Series 2012 Note, hereinafter defined, which is issued under and secured by the Master Trust Indenture and Security Agreement, dated as of December 1, 2012, as supplemented by Supplemental Indenture No. 1 ("***Supplemental Indenture No. 1***"), dated as of December 1, 2012, and as further supplemented and amended from time to time (collectively, the "***Master Indenture***"), between the Village and Wells Fargo Bank, National Association, as master trustee, which provides the security for the Series 2012 Note.

The proceeds of the sale of the Series 2012 Bonds will be applied to (i) refund the Issuer's outstanding Residential Care Facility Mortgage Revenue Bonds (The Village at Germantown) Series 2003A, (ii) refund the Issuer's outstanding Residential Care Facility Mortgage Revenue Bonds (The Village at Germantown) Series 2006, (iii) finance capital improvements and capital expenditures, (iv) fund a debt service reserve fund and (v) pay costs of issuance of the Series 2012 Bonds.

The Series 2012 Bonds are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("***DTC***") and will be available to ultimate purchasers ("***Beneficial Owners***") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of $25,000 and any integral multiple of $5,000 thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2012 Bonds. Interest for the Series 2012 Bonds accrues from the initial delivery date of the Series 2012 Bonds, and is payable on each June 1 and December 1 of each year, commencing June 1, 2013 until maturity or prior redemption. So long as Cede & Co. is the registered owner of the Series 2012 Bonds, payments of principal or redemption price of and interest on the Series 2012 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2012 Bonds and the interest payable thereon are limited obligations of the Issuer and are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, including the payments to be made by the Village pursuant to the related Loan Agreement, as described herein.

An investment in the Series 2012 Bonds involves a certain degree of risk related to, among other things, the nature of the Village's business, the regulatory environment, and the provisions of the principal documents. A prospective Series 2012 Bondholder is advised to read "SECURITY FOR THE BONDS" and "CERTAIN BONDHOLDERS' RISKS" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2012 Bonds.

THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE SERIES 2012 BONDS OR THE INTEREST THEREON EXCEPT FROM THE REVENUES AND THE PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE COUNTY OF SHELBY, TENNESSEE, THE STATE OF TENNESSEE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR PREMIUM ON THE SERIES 2012 BONDS. THE ISSUER HAS NO TAXING POWER.

SEE MATURITY AND PRICING SCHEDULE HEREIN

The Series 2012 Bonds are subject to redemption prior to maturity, as described herein under "THE SERIES 2012 BONDS – Redemption Prior to Maturity."

*The Series 2012 Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Issuer and accepted by the Underwriter subject to the approving opinion of Hunton & Williams LLP, Bond Counsel, as described herein. Certain legal matters will be passed upon for the Issuer by its counsel, Farris Bobango Branan PLC, Memphis, Tennessee; for the Village by its counsel, Adams and Reese LLP, Memphis, Tennessee; and for the Underwriter by its counsel, Fulbright & Jaworski L.L.P., Dallas, Texas. It is expected that the Series 2012 Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about December 5, 2012 (the "**Date of Delivery**").*

BB&T Capital Markets

 The date of this Official Statement is November 6, 2012.

SHORT STATEMENT

The information set forth in this short statement is subject in all respects to more complete information set forth elsewhere in this Official Statement.

The offering of the Series 2012 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this short statement from this Official Statement or otherwise to use it without this entire Official Statement. For the definitions of certain words and terms used in this short statement, see "APPENDIX C – DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF CERTAIN PRINCIPAL DOCUMENTS" herein.

THE ISSUER. The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee (the "***Issuer***") proposes to issue its Residential Care Facility Mortgage Revenue Refunding Bonds (The Village at Germantown) Series 2012 (the "***Series 2012 Bonds***"). The Series 2012 Bonds are being issued pursuant to the law now codified under Tennessee Code Annotated Section 48-101-301, *et seq.* (the "***Act***"), resolutions of the Issuer adopted on September 12, 2012, and a Bond Indenture, dated as of December 1, 2012 (the "***Bond Indenture***"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "***Bond Trustee***").

THE VILLAGE AT GERMANTOWN. The Village at Germantown, Inc. (the "***Village***"), a Tennessee non-profit corporation, owns and operates a continuing care retirement community (the "***Community***") located on approximately 27.5 acres in Germantown, Tennessee (the "***Site***"), which is a suburb of Memphis. The Community consists of approximately 198 independent living units consisting of 170 apartments and 28 patio homes (collectively, the "***Independent Living Units***") and a healthcare center with approximately 13 assisted living units, 8 special care (dementia) units and 30 skilled nursing beds, and together with a wellness center and common areas.

As of August 31, 2012, occupancy in the Independent Living Units, assisted living units, special care (dementia) units and skilled nursing beds, was 94%, 100%, 85% and 92%, respectively. See "APPENDIX A – THE COMMUNITY – Historical Occupancy."

The Village has been determined by the Internal Revenue Service to be exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "***Code***"). See APPENDIX A hereto, "THE VILLAGE AT GERMANTOWN" for a description of The Village at Germantown, and APPENDIX B hereto, "AUDITED FINANCIAL STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010."

MANAGEMENT OF THE COMMUNITY. CRSA/LCS Management, LLC (the "***Manager***") is a party to a management agreement with the Village. The Manager and its affiliates are providers of marketing and management services to senior living facilities throughout the United States. See APPENDIX A hereto, "GOVERNANCE – Management Agreement."

PLAN OF FINANCING. The proceeds of the Series 2012 Bonds will be loaned by the Issuer to the Village pursuant to a Loan Agreement, dated as of December 1, 2012 (the "***Loan Agreement***"), and will be applied, together with other available funds to (i) refund the Issuer's outstanding Residential Care Facility Mortgage Revenue Bonds (The Village at Germantown) Series 2003A (the "***Series 2003 Refunded Bonds***"), (ii) refund the Issuer's outstanding, Residential Care Facility Mortgage Revenue Bonds (The Village at Germantown) Series 2006 (the "***Series 2006 Refunded Bonds***" and, together with the Series 2003 Refunded Bonds, the "***Refunded Bonds***"), (iii) finance capital improvements and capital expenditures for the Community, (iv) fund a debt service reserve fund, and (v) pay costs of issuance of the Series 2012 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Simultaneously with the issuance of the Series 2012 Bonds, the Village will issue its Residential Care Facility Mortgage Revenue Taxable Bonds, Series 2012 (the "***Taxable Bonds***"), pursuant to a Supplemental Indenture No. 2, dated December 1, 2012, between the Village and the Master Trustee. The proceeds of the Taxable Bonds will be used to (i) refinance other long-term debt of the Village, (ii) finance working capital for the Village, (iii) fund a debt service reserve fund, and (iv) pay the costs of issuance relating to the Taxable Bonds and the Series 2012 Bonds. Payment of the Taxable Bonds is secured on a parity basis with the Series 2012 Note (as described below) under the Master Indenture (as defined below).

SECURITY. Pursuant to the Loan Agreement, the Village will agree to make loan payments to the Bond Trustee in such amounts as will pay, when due, the principal or redemption price of and interest on the Series 2012 Bonds. The Village's payment obligations with respect to the Series 2012 Bonds under the Loan Agreement will be a general obligation of the Village. Pursuant to the Bond Indenture, the Issuer has assigned to the Bond Trustee all of its right, title and interest in and to, and remedies under, the Loan Agreement, except for certain reserved rights, including rights to reimbursement of expenses and indemnification.

BB&T Capital Markets

Municipal Markets Group
901 East Byrd Street, Suite 260
Richmond, VA 23219

October 14, 2013

Don Selheimer
Chief Financial Officer
The Village at Germantown
7820 Walking Horse Circle
Germantown, Tennessee 38138

Dear Mr. Selheimer:

It is my understanding that The Village at Germantown ("the Village") is currently planning a Project that will require the issuance of debt, most likely in the form of tax-exempt bonds. We have reviewed the Village's historical financial statements and reviewed the key aspects of the proposed project (20 new nursing beds and 30 renovated nursing beds). Based on our review of this information, we believe the Project will be able to obtain attractive financing through the issuance of a tax-exempt bond offering.

The Village's strong financial position combined with a sound proposed Project will be well received in the capital markets and will allow for several attractive tax-exempt financing structures. At this time, the proposed amount to be financed is approximately $19,100,000 and it is anticipated that the current all-in interest rate for the bond issue would not exceed 7.5% and the bonds would have a maximum amortization of thirty-five years. For your benefit, the tables below provide the preliminary sources and uses of funds and amortization schedule.

	Tax-Exempt Bonds	Taxable Bonds	Total
Sources of Funds			
Par Amount	$18,285,000	$815,000	$19,100,000
Total	**$18,285,000**	**$815,000**	**$19,100,000**
Uses of Funds			
Project Fund [1]	$14,613,532	$0	$14,613,532
Debt Service Reserve Fund	1,433,584	63,898	1,497,481
Capitalized Interest Fund	1,871,947	83,437	1,955,384
Cost of Issuance	988,202	45,401	1,033,603
Total	**$18,907,264**	**$192,736**	**$19,100,000**

(1) *Comprised of $5.7 million for the 20 new nursing beds and $8.9 million for the 30 renovated nursing beds.*

Fiscal Year Ending December 1,	Tax-Exempt Series 2014	Taxable Series 2014	Outstanding Series 2012	Aggregate Debt Service
2014	$670,722	$33,324	$2,788,388	$3,492,433
2015	1,312,281	65,200	2,789,381	4,166,863
2016	1,312,281	185,200	2,788,463	4,285,944
2017	1,312,281	145,600	2,790,631	4,248,513
2018	1,312,281	153,400	2,785,569	4,251,250
2019	1,312,281	145,000	2,788,594	4,245,875
2020	1,312,281	146,600	2,789,069	4,247,950
2021	1,312,281	157,400	2,776,994	4,246,675
2022	1,312,281	156,600	2,777,494	4,246,375
2023	1,472,281	-	2,776,244	4,248,525
2024	1,471,081	-	2,778,244	4,249,325
2025	1,474,181	-	2,773,244	4,247,425
2026	1,471,231	-	2,776,494	4,247,725
2027	1,472,581	-	2,777,494	4,250,075
2028	1,472,881	-	2,776,244	4,249,125
2029	1,472,131	-	2,777,744	4,249,875
2030	1,470,331	-	2,776,744	4,247,075
2031	1,467,481	-	2,778,244	4,245,725
2032	1,468,581	-	2,776,994	4,245,575
2033	1,473,281	-	2,772,994	4,246,275
2034	1,476,231	-	2,773,156	4,249,388
2035	1,472,431	-	2,774,906	4,247,338
2036	1,471,781	-	2,777,981	4,249,763
2037	1,469,350	-	2,777,119	4,246,469
2038	1,470,138	-	2,777,319	4,247,456
2039	1,473,788	-	2,773,319	4,247,106
2040	1,474,944	-	2,775,119	4,250,063
2041	1,468,606	-	2,777,194	4,245,800
2042	1,475,131	-	2,774,281	4,249,413
2043	1,468,450	-	2,776,381	4,244,831
2044	1,474,275	-	2,775,388	4,249,663
2045	1,471,538	-	2,773,481	4,245,019
2046	1,469,700	-	2,775,394	4,245,094
2047	649,238	-	4,520,588	5,169,825
2048	4,249,238	-	-	4,249,238
2049	5,743,238	-	-	5,743,238
Total	**$57,133,091**	**$1,188,324**	**$96,216,888**	**$154,538,303**

I hope the information above is helpful as you continue the project planning process.

Sincerely,

Brandon Powell
Senior Vice President, Healthcare Finance Group
BB&T Capital Markets

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Financial Statements

THE VILLAGE AT GERMANTOWN, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

THE VILLAGE AT GERMANTOWN, INC.
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YEARS ENDED DECEMBER 31, 2012 AND 2011

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Village at Germantown, Inc.
Germantown, Tennessee

We have audited the accompanying financial statements of The Village at Germantown, Inc., which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and change in net deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Village at Germantown, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village at Germantown, Inc. as of December 31, 2012 and 2011, and the results of their operations, changes in net deficit and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
April 18, 2013

THE VILLAGE AT GERMANTOWN, INC.
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash and Cash Equivalents	$ 6,202,065	$ 3,077,807
Current Portion of Assets Limited as to Use	1,049,205	831,742
Accounts Receivable, Net	504,125	684,766
Other Receivables	767,370	148,834
Inventories	27,256	30,266
Prepaid Expenses	197,126	185,601
Total Current Assets	8,747,147	4,959,016
ASSETS LIMITED AS TO USE		
Held By Trustee Under Bond Indenture	4,683,519	3,378,868
Deposits in Escrow on Behalf of Residents	249,893	140,652
Total Assets Limited as to Use	4,933,412	3,519,520
Less: Current Portion of Assets Limited as to Use	(1,049,205)	(831,742)
Noncurrent Assets Limited as to Use	3,884,207	2,687,778
PROPERTY AND EQUIPMENT, NET		
Land and Improvements	5,592,831	5,564,724
Building and Improvements	64,955,917	64,724,727
Equipment and Furnishings	2,849,842	2,739,091
Vehicles	128,142	112,699
Construction in Progress	109,168	43,269
Total	73,635,900	73,184,510
Less: Accumulated Depreciation	(17,603,037)	(15,238,120)
Net Property and Equipment	56,032,863	57,946,390
OTHER ASSETS		
Deferred Marketing Costs, Net	1,743,105	2,407,145
Deferred Financing Costs, Net	1,564,302	2,682,098
Total Other Assets	3,307,407	5,089,243
Total Assets	$ 71,971,624	$ 70,682,427

See accompanying Notes to Financial Statements.

LIABILITIES AND NET DEFICIT	2012	2011
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 435,651	$ 629,497
Accounts Payable	1,274,983	1,366,396
Refundable Entrance Fees Payable	1,743,234	4,018,456
Accrued Expenses	264,462	261,359
Accrued Interest Expense	170,479	206,742
Entrance Fee Deposits	308,519	184,680
Total Current Liabilities	4,197,328	6,667,130
LONG-TERM DEBT (Net of Current Maturities)	43,298,767	34,382,103
OTHER LONG-TERM LIABILITIES		
Deferred Revenue From Entrance Fees	45,667,251	43,542,101
Deferred Development and Marketing Fees Payable	-	1,427,000
Long-Term Accrued Interest Payable	-	1,433,000
Total Other Long-Term Liabilities	45,667,251	46,402,101
Total Liabilities	93,163,346	87,451,334
NET DEFICIT		
Unrestricted Net Deficit	(21,191,722)	(16,768,907)
Total Liabilities and Net Deficit	$ 71,971,624	$ 70,682,427

THE VILLAGE AT GERMANTOWN, INC.
STATEMENTS OF OPERATIONS AND CHANGE IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Long-Term Care Revenue	$ 5,422,200	$ 5,540,475
Residential Services Revenue	7,301,588	7,080,916
Amortization of Deferred Entrance Fees	1,841,366	2,832,498
Other Revenue	619,140	722,022
Total Unrestricted Revenues and Other Support	15,184,294	16,175,911
OPERATING EXPENSES		
Nursing Services	3,117,056	3,099,489
Activities and Wellness Program	638,837	706,717
Facility Services	1,474,519	1,406,428
Dietary Services	1,783,311	1,715,406
Administrative	1,433,155	1,457,690
Human Resources	480,542	423,947
Marketing	490,189	419,687
Residential Services and Transportation	186,670	174,185
Maintenance	1,099,039	1,070,831
Housekeeping	416,416	401,236
Depreciation	2,364,917	2,350,626
Amortization	847,826	855,532
Interest	2,475,563	2,611,554
Total Operating Expense	16,808,040	16,693,328
OPERATING LOSS	(1,623,746)	(517,417)
Loss on Refinancing	(2,860,498)	-
DEFICIT OF NET REVENUE OVER EXPENSE	(4,484,244)	(517,417)
Capital Contributions	61,429	-
CHANGE IN NET DEFICIT	(4,422,815)	(517,417)
NET DEFICIT, BEGINNING OF THE YEAR	(16,768,907)	(16,251,490)
NET DEFICIT, END OF THE YEAR	$ (21,191,722)	$ (16,768,907)

See accompanying Notes to Financial Statements.

THE VILLAGE AT GERMANTOWN, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficit	$ (4,422,815)	$ (517,417)
Adjustments to Reconcile Change in Net Deficit to Net Cash Used in Operating Activities		
Depreciation and Amortization	3,212,743	3,206,158
Amortization of Deferred Entrance Fees	(1,841,366)	(2,832,498)
Loss on Refinancing	2,860,498	-
Capital Contributions	(61,429)	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	162,901	(82,157)
Inventories and Prepaid Expenses	(8,515)	(52,956)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(91,413)	(234,297)
Accrued Expenses	3,103	87,744
Accrued Interest	(36,263)	(2,253)
Net Cash Used in Operating Activities	(222,556)	(427,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(288,655)	(423,794)
Change in Assets Limited as to Use	107,223	61,120
Net Cash Provided by (Used in) Investing Activities	(181,432)	(362,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(631,761)	(577,230)
Proceeds from Issuance of Long-Term Debt	2,775,000	-
Capital Contributions	61,429	-
Receipts of Entrance Fees	7,620,578	7,142,854
Refunds of Entrance Fees	(5,828,502)	(3,847,061)
Change in Other Assets	(468,498)	(88,401)
Net Cash Provided by Financing Activities	3,528,246	2,630,162
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,124,258	1,839,812
Cash and Cash Equivalents - Beginning of Year	3,077,807	1,237,995
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,202,065	$ 3,077,807
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	$ 2,511,826	$ 2,613,807
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Series 2012 Taxable Bonds	$ 4,290,000	$ -
Series 2012 Tax Exempt Bonds	39,960,000	-
Payoff Existing Bonds and Other Long-Term Debt	(37,672,258)	-
Net Deposit to Bond Funds	(1,679,519)	-
Original Issue Discount	(558,921)	
Financing Costs	(1,564,302)	-
Proceeds from Issuance of Long-Term Debt	$ 2,775,000	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Village at Germantown, Inc. (the "Organization") is a not-for-profit corporation under the laws and regulations of the State of Tennessee. The Organization's purpose is to operate as a continuing care retirement community ("CCRC") providing housing, health care and related services to senior adults in Shelby County, Tennessee. The CCRC consists of 198 independent living units (including 170 apartments and 28 patio homes), and a healthcare center consisting of 13 assisted living units, 8 special care dementia units, and 30 skilled nursing beds.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Organization applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the years 2009 to 2011 are open to examination by federal, local, and state authorities.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Organization provides an allowance for uncollectible accounts using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts, past due, more than 120 days are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the historical experience of the Organization. When all collection efforts have been exhausted, the account is written off. At December 31, 2012 and 2011 the allowance for doubtful accounts was approximately $0 and $13,000, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Receivables

Other receivables consist of amounts due to the Organization related to unpaid Entrance Fees.

Inventory

Inventory is stated at the lower of cost or market, determined using the first-in, first-out method.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under bond indenture agreements and deposits of entrance fees paid by residents. Amounts required to meet current liabilities of the Organization are included in current assets.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives by the straight-line method of depreciation. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Construction in progress costs at December 31, 2011 relate to renovations being done to the cottages. The project was completed in March of 2012 with total costs of approximately $77,000. Construction in progress costs at December 31, 2012 relate primarily to renovating the wellness center. The project was completed in April of 2013 with total costs of approximately $260,000.

The Organization reviews its property and equipment periodically to determine potential impairment. If determined that the carrying value exceeds the fair value, an impairment loss is recognized.

Deferred Marketing Costs

The Organization deferred costs totaling $5,976,360 related to acquiring initial continuing-care contracts that are expected to be recovered from future revenues. These costs included salaries and commissions paid to sales office personnel located on the project site, direct response advertising costs, and the costs of the project model. Costs incurred to sell the initial units were capitalized at cost and are being amortized on a straight-line basis over nine years, which is a period approximating the average life expectancy of the initial residents occupying the independent living residences. Accumulated amortization of deferred marketing costs was $4,233,255 and $3,569,215 at December 31, 2012 and 2011, respectively. Total amortization of marketing costs was $664,040 for the years ended December 31, 2012 and 2011.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

The Organization had capitalized costs incurred for the issuance of bonds totaling $3,923,762, which were included net of accumulated amortization of $1,241,664 at December 31, 2011. During 2012 the Organization refinanced the prior bond issuances and incurred a loss of $2,479,497 upon write-off of these deferred financing costs which is included in loss on refinancing on the statements of operations and changes in net deficit. Costs incurred for the issuance of the 2012 Bonds totaled $1,564,302 and are included net of accumulated amortization of $0 at December 31, 2012.

The Organization amortizes deferred financing costs on the effective interest method over the life of the bonds. Total amortization of bond issue costs was $183,786 and $191,499 for the years ended December 31, 2012 and 2011, respectively.

Original Issue Discount

The Series 2012 and Series 2003A Bonds were issued at a discount totaling $558,921 and $429,054, respectively. The discount is included net of accumulated amortization of $0 and $136,157 at December 31, 2012 and 2011, respectively. Upon issuance of the Series 2012 Bonds, the Organization wrote off the unamortized discount related to the Series 2003A bonds totaling $275,650 which is included in the loss on refinancing on the statements of operations and changes in net deficit.

The Organization amortizes the original issue discount on the effective interest method over the life of the bonds. Total amortization of original issue discount was $0 and $17,247 for the years ended December 31, 2012 and 2011, respectively.

Entrance Fee Deposits

Each prospective resident is required to pay an entrance fee deposit. Entrance fee deposits are maintained in an escrow account at a bank. These funds are applied to each prospective resident's total entrance fee due upon occupancy. Each prospective resident's entrance fee deposit is subject to refund at any time prior to occupying his/her unit. The escrowed funds are recorded as assets limited as to use. Each prospective resident is also required to pay a one-time application fee of $150, which is recognized as revenue when received.

Deferred Revenue from Entrance Fees

The Organization offers prospective residents two types of Entrance Fee plans: (1) a 90% Refundable Plan, under which the resident would receive, upon termination of the Residency Agreement, a refund equal to the amount of the entrance fee paid, less a 10% nonrefundable fee, or (2) a traditional plan which after 48 months has no refund. For a period of time the Organization offered a 100% refundable plan. Fees paid by a resident upon entering a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, which is updated annually for the resident.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue from Entrance Fees (Continued)

The refundable portion is refundable from proceeds received upon re-occupancy of the vacant or similar unit, and is amortized to income using the straight-line method over the estimated remaining life of the unit, which is consistent with the estimated useful lives used for depreciation.

Refundable Entrance Fees Payable represents amounts currently in the process of being refunded due to the receipt of proceeds from re-occupancy of the vacant or similar unit, but have not yet been paid at December 31, 2012 and 2011.

Obligation to Provide Future Services

The Organization has calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future service) with the corresponding charge to income. The Organization's calculation indicated no liability needed to be recorded as of December 31, 2012 and 2011.

Financial Statement Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the boards of directors have discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or through the passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for program purposes.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions. At December 31, 2012 and 2011, the Organization did not have any temporarily or permanently restricted net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Care Revenue

Long-Term care revenue includes room charges and ancillary services to residents and is recorded at established billing rates net of contractual adjustments resulting from agreements with third-party payors.

Third Party Reimbursement – Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The participants are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. CMS has approved a market basket update effective October 1, 2012 of 1.8%. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Recognition of Revenues

In consideration for an entrance fee and, thereafter, monthly service fees, the Organization provides individuals with a residence for the remainder of their lives. Most resident contracts provide for refunds of the entrance fee upon death or move-out. On certain contracts, amounts refundable decline over these periods to zero whereas other contracts offered have fixed percentage refunds.

In the event of death or move-out after the above time period, the unamortized balance of the nonrefundable entrance fee is recognized as income. The estimated liability for refundable entrance fees is recorded based upon the Organization's experience of refunding such fees. Future revenues are dependent on various actuarial assumptions, occupancy rates and other matters that are subject to change.

Occupancy Percentages

During the years ended December 31, 2012 and 2011, the occupancy percentages and the percentages of residents covered under the Medicare and other programs for the healthcare center were as follows:

	2012		2011	
	Days	%	Days	%
Private and Other	3,902	38.8%	3,059	32.5%
Medicare	6,150	61.2%	6,348	67.5%
Total	10,052	100.0%	9,407	100.0%
Healthcare Center Occupancy Percentage		91.8%		85.9%

The occupancy percentage for the assisted living units was 97.9% and 99.2%, respectively, for the years ended December 31, 2012 and 2011. The occupancy percentage for the independent living units was 93.3% and 94.4% for the years ended December 31, 2012 and 2011, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value in the future.

Performance Indicator

The statement of operations and change in net deficit includes a measurement of deficit of net revenue over expense as the performance indicator. Changes in unrestricted net deficit which are excluded from deficit of net revenue over expense, consistent with industry practice, include capital contributions.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 18, 2013, the date the financial statements were available for issuance.

NOTE 2 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31, 2012 and 2011, is set forth in the following table. Investments are stated at fair value:

	2012	2011
Held By Trustee Under Bond Indenture	$ 4,683,519	$ 3,378,868
Deposits in Escrow on Behalf of Residents	249,893	140,652
Total Assets Limited as to Use	4,933,412	3,519,520
Less: Current Portion of Assets Limited as to Use	(1,049,205)	(831,742)
Noncurrent Assets Limited as to Use	$ 3,884,207	$ 2,687,778
Cash and Cash Equivalents	$ 249,893	$ 140,652
Money Market Mutual Funds	4,683,519	3,378,868
Total Assets Limited as to Use	$ 4,933,412	$ 3,519,520

The funds held by the trustee consist of debt service reserve and project (capital improvement) funds.

NOTE 3 LONG-TERM DEBT

Long-term debt consists of the following as of December 31:

Description	2012	2011
Series 2003A Bonds:		
$3,375,000 term bonds, bearing interest at a rate of 6.375%, principal due in varying annual installments of $250,000 to $600,000 from December 1, 2007 through December 1, 2013	$ -	$ 1,175,000
$3,650,000 term bonds, bearing interest at a rate of 6.750%, principal due in varying annual installments of $650,000 to $825,000 from December 1, 2014 through December 1, 2018	-	3,650,000
$5,125,000 term bonds, bearing interest at a rate of 7.000%, principal due in varying annual installments of $900,000 to $1,175,000 from December 1, 2019 through December 1, 2023	-	5,125,000
$22,900,000 term bonds, bearing interest at a rate of 7.250%, principal due in varying annual installments of $1,250,000 to $5,425,000 from December 1, 2024 through December 1, 2034	-	22,900,000
Unamortized Discount, Series 2003A Term Bonds	-	(292,897)
Series 2006 Bonds:		
$2,400,000 term bonds, bearing interest at a rate of 6.250%, principal due in varying annual installments of $50,000 to $175,000 from December 1, 2006 through December 1, 2034	-	2,250,000

NOTE 3 LONG-TERM DEBT (CONTINUED)

Description	2012	2011
Series 2012 Tax Exempt Bonds:		
$10,980,000 term bonds, bearing interest at a rate of 5.000%, principal due in varying annual installments of $690,000 to $1,180,000 from December 1, 2021 through December 1, 2032	10,980,000	-
$15,745,000 term bonds, bearing interest at a rate of 5.250%, principal due in varying annual installments of $1,235,000 to $1,960,000 from December 1, 2033 through December 1, 2042	15,745,000	-
$13,235,000 term bonds, bearing interest at a rate of 5.375%, principal due in varying annual installments of $2,065,000 to $4,290,000 from December 1, 2043 through December 1, 2047	13,235,000	-
Unamortized Discount, Series 2012 Tax Exempt Bonds	(558,921)	-
Series 2012 Taxable Bonds:		
$4,290,000 term bonds, bearing interest at a rate of 6.375%, principal due in varying annual installments of $425,000 to $660,000 from December 1, 2013 through December 1, 2020	4,290,000	-
Capital Lease Obligation:		
Capital lease obligation for computer equipment with a net book value of $320 and $4,162 at December 31, 2012 and 2011, respectively, payable in 36 monthly installments of $413	-	4,497
Capital lease obligation for café equipment with a net book value of $33,742 and $0 at December 31, 2012 and 2011, respectively, payable in 60 monthly installments of $616	31,426	-
Capital lease obligation for electric vehicle with a net book value of $14,444 and $0 at December 31, 2012 and 2011, respectively, payable in 36 monthly installments of $441	11,913	-
Note Payable to Methodist Healthcare	-	200,000
Total Long-Term Debt	43,734,418	35,011,600
Less: Amount Reclassified as Current Maturities	(435,651)	(629,497)
Long-Term Debt, Net of Current Maturities	$ 43,298,767	$ 34,382,103

NOTE 3 LONG-TERM DEBT (CONTINUED)

Series 2003 and 2006 Bonds

In December 2003, the Organization issued $35,050,000 in Series 2003A fixed rate bonds, $100,000 in Series 2003B taxable fixed rate bonds and $41,000,000 in Series 2003C variable rate bonds. The proceeds were used to refinance certain preconstruction debt and pay for the acquisition, construction, equipping, and furnishing of the project. The 2003C bonds were secured by a letter of credit which expired March 18, 2010 with the maturity of the bonds.

In July 2006, the Organization issued $2,400,000 in Series 2006 fixed rate bonds. The proceeds were used to pay for the completion of acquisition, construction, equipping, and furnishing of the project.

The Health, Educational and Housing Facility Board of The County of Shelby, Tennessee issued both the Series 2003 and 2006 Bonds on behalf of the Organization. The proceeds of the bond issues were loaned to the Organization under a loan agreement, dated December 1, 2003, which was amended for the Series 2006 bonds. The Bonds are secured by substantially all of the assets of the Organization. The bond agreement required that certain funds be established with the trustee. Accordingly, these funds are included as Assets Limited As To Use - Held by Trustee Under Bond Indenture in the balance sheets.

Series 2012 Bonds

In December 2012, at the request of the Organization, The Health, Education and Housing Facility Board of the County of Shelby, Tennessee issued $39,960,000 Residential Care Facility Mortgage Revenue Refunding Bonds Series 2012 and the Organization issued $4,290,000 Residential Care Facility Mortgage Revenue Taxable Bonds Series 2012, collectively referred to as the Series 2012 Bonds. The proceeds of the Series 2012 Bonds were used to: i) refund the outstanding Series 2003 and 2006 Bonds, ii) refinance other long-term debt of the Organization, iii) finance capital improvements, iv) fund certain reserves, v) pay costs of issuance, and vi) finance working capital. The Bonds are secured by substantially all of the assets of the Organization.

The Organization incurred a net loss from refinancing and refunding prior debt upon the issuance of the Series 2012 Bonds. The net loss on refinancing includes the write-off of prior financing costs (see Note 1) and the Series 2003A unamortized discount totaling approximately $2.8 million, a gain on the forgiveness of certain liabilities described below and in Note 4 of approximately $2.6 million, and an additional loss for interest and funding of the refunding escrow to retire the Series 2003 and 2006 Bonds of approximately $2.7 million.

Bridge Capital Facility Loan Agreement

A bridge capital facility loan agreement was entered into on September 20, 2000 between the Organization, The Village of Germantown Bridge Partners, LLC ("Joint Venture"), a Tennessee limited liability company, CRSA Holdings, Inc. (the "Developer"), a Tennessee corporation, and Methodist Healthcare, a Tennessee nonprofit corporation to fund pre-construction requirements. The Joint Venture committed to lending up to $5,654,000 over a period of 18 months to cover pre-construction costs at a 55% annual interest rate.

NOTE 3 LONG-TERM DEBT (CONTINUED)

Bridge Capital Facility Loan Agreement (Continued)

The period was extended by the Joint Venture, which allowed the Organization to continue to draw on this loan through early 2003. This bridge loan was senior to the promissory notes issued by the Developer and Methodist Healthcare. Borrowings against this agreement amounted to $4,338,676 and were repaid prior to 2005. The loan agreement was amended during 2003, reducing the interest rate from 55% to 15%. As of December 31, 2011, $1,345,000 was included in long-term accrued interest payable. Upon issuance of the Series 2012 Bonds $200,000 was repaid and the remainder was forgiven. The gain on forgiveness of debt is included net of the loss on refinancing on the statement of operations and change in net deficit.

Note Payable to Methodist Healthcare

The Organization had a promissory note payable to Methodist Healthcare in the amount of $200,000. The note was issued on September 20, 2000 in connection with the bridge loan agreement. The terms reflected an annual interest rate of 13.5%. Interest payable related to this note amounted to $88,000 at December 31, 2011 and is included in long-term accrued interest payable on the accompanying balance sheet. Upon issuance of the Series 2012 Bonds $187,807 was repaid and the remainder was forgiven. The gain on forgiveness of debt is included net of the loss on refinancing on the statement of operations and change in net deficit.

Maturities

Scheduled maturities of long-term debt at December 31, 2012 are as follows:

Year Ending December 31,	Bonds and Notes Payable
2013	$ 435,651
2014	466,290
2015	493,353
2016	522,027
2017	552,435
Thereafter	41,264,662
Total	$ 43,734,418

Restrictive Covenants

The provisions of the bond agreements contain various restrictive covenants related to financial and operational matters and require certain measures of financial performance be satisfied on a quarterly and annual basis. Management believes the Organization is in substantial compliance with such covenants at December 31, 2012.

NOTE 4 DEVELOPMENT AND MARKETING AGREEMENTS

Methodist Healthcare – Development Agreement

Under an affiliation agreement dated September 20, 2000 with Methodist Healthcare ("Methodist"), a Tennessee not-for-profit corporation, Methodist provided consulting relating to development, marketing, regulatory and management issues. In return for these services, Methodist was to receive an affiliate fee equal to $125,000 plus 1% of total defined project costs. Such development affiliation fee was to be paid 50% upon closing of tax -exempt bond financing, 25% upon completion of construction and 25% upon achievement of 90% occupancy of the independent living facilities. Methodist was to also receive marketing related affiliation fees equal to 1/2% of entrance fees on independent living units sold. Such marketing fees were to be paid 50% upon receipt of a 10% deposit and 50% upon resident move-in.

Methodist Healthcare – Development Agreement

In connection with the issuance of the Series 2003 Bonds, the fees were deferred and were scheduled to be paid when the Series 2003C Bonds and related loans are no longer outstanding and certain occupancy, liquidity, and other financial performance measures had been met, as defined in the agreement.

Upon issuance of the Series 2012 Bonds the outstanding deferred development fees were forgiven. The gain on forgiveness is included net of the loss on refinancing on the statement of operations and change in net deficit.

An annual operational affiliation fee continues to be paid in the amount of $75,000. The term of this agreement is from September 20, 2000 and continues until ten years past the date the Organization accepted its first resident. During the years ended December 31, 2012 and 2011, the Organization paid $75,000 under the terms of the agreement.

CRSA – Development and Marketing Agreements

The Organization entered into a development agreement (the development agreement) with CRSA dated September 20, 2000 and revised on October 31, 2003, for development of the Organization. As compensation for services rendered pursuant to the development agreement, the Organization agreed to pay CRSA a fee equal to $185,000 plus 6% of defined project costs, or approximately $3,460,000 in total, due 60% at construction financing (issuance of the Series 2003 Bonds), 20% ratably over the period of construction and 20% upon the independent living units reaching 85% occupancy. No fees were paid to CRSA under the development agreement as not all amounts owed under the Bridge Capital Agreement had been paid and certain payment conditions, as described in the agreement had not been met.

NOTE 4 DEVELOPMENT AND MARKETING AGREEMENTS (CONTINUED)

CRSA – Development and Marketing Agreements (Continued)

The Organization also entered into a marketing agreement (the marketing agreement) with CRSA dated September 20, 2000 and revised on October 31, 2003, to provide marketing services for the Organization. As compensation for marketing services rendered pursuant to the marketing agreement, the Organization agreed to pay CRSA a marketing commission equal to 3% of the entrance fee for each independent living unit sold, subject to a minimum commission amount of $2,000 per unit (estimated to total approximately $1,535,000), with 50% due upon receipt of the 10% deposit and execution of the residency agreement by the resident and the remaining 50% due upon occupancy of the subject unit.
However, no fees were paid to CRSA under the marketing agreement as not all amounts owed under the Bridge Capital Agreement had been paid and certain payment conditions, as described in the agreement had not been met.

During the year ending December 31, 2010 the Organization entered into an agreement with CRSA which forgave the outstanding balance of the deferred development fees payable. During the year ending December 31, 2011, the Organization, bond trustee, Methodist and CRSA amended several agreements. The amendments clarified and made changes to definitions and timing of payment of deferred indebtedness, management and affiliation fees, the ability and period of time to terminate the affiliation and management agreements, removed incentives in the management agreement and forgave the $500,000 of outstanding marketing fees payable to CRSA.

Upon issuance of the Series 2012 Bonds $74,349 was repaid and the remainder was forgiven. The gain on forgiveness is included net of the loss on refinancing on the statement of operations and change in net deficit.

Deferred development and marketing fees payable consists of the following as of December 31, 2012 and 2011:

	2012	2011
CRSA - Marketing Agreement	$ -	$ 500,000
Methodist Healthcare - Development Agreement	-	927,000
Total Deferred Development and Marketing Fees Payable	$ -	$ 1,427,000

NOTE 5 MANAGEMENT AGREEMENT

The Organization has an agreement with CRSA to provide management services through the year ended December 31, 2015. The agreement includes the supervision of all aspects of normal operations including budgeting, hiring of employees, billing, payroll, accounting, accounts payable and other management responsibilities. The Organization incurred expenses of approximately $182,000 and $196,000 under the terms of this agreement for the years ended December 31, 2012 and 2011.

NOTE 6 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the years ended December 31, 2012 and 2011 consisted of the following:

	2012	2011
Program	$ 14,852,454	$ 14,782,398
Management and General	1,955,586	1,910,930
Total Expenses	$ 16,808,040	$ 16,693,328

Fundraising expenses are immaterial and are included with Management and General Support. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on the best estimates of management.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to all of its residents. The mix of receivables from residents and third-party payors at December 31, 2012 and 2011 is as follows:

	2012	2011
Medicare	50 %	46 %
Private and Other Insurances	50	54
	100 %	100 %

The Organization maintains a cash balance at financial institutions which management believes has strong credit ratings and that the credit risk related to these deposits is minimal. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, deposits may exceed FDIC limits.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Professional Liability Insurance

The Organization is not currently involved in litigation related to professional liability claims. Management believes if any claims were asserted, they would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of $1,000,000 per claim and $3,000,000 in the aggregate. The Organization's professional liability insurance is a claims-made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

Government Regulations - Medicare

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Principles.

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	2012			
	Level 1	Level 2	Level 3	Total
Held By Trustee Under Bond Indenture:				
Money Market Mutual Funds	$ 4,683,519	$ -	$ -	$ 4,683,519

	2011			
	Level 1	Level 2	Level 3	Total
Held By Trustee Under Bond Indenture:				
Money Market Mutual Funds	$ 3,378,868	$ -	$ -	$ 3,378,868

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Organization.

The following disclosures represent financial instruments in which the ending balances at December 31, 2012 and 20102011 are not carried at fair value in their entirety on the balance sheet:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt	$ 43,734,418	43,734,418	$ 35,011,600	33,927,333

Bonds – The fair value of the bonds is calculated based on the estimated trade values as of December 31, 2012 and 2011. The value is estimated using the rates currently offered for like debt instruments with similar remaining maturities. Based upon these inputs, the fair market value of long-term debt would be classified as a level three liability.

NOTE 10 OPERATING ENVIRONMENT

Like many retirement communities the Organization has been affected by the problems with prospective residents selling their home or converting investments to cash. During the years ended December 31, 2012 and 2011 the Organization experienced operating deficits, and, while, the cash position increased overall there was a net cash deficit from operations. During the year ended December 31, 2011 the Organization did not meet the requirements of certain bond covenants. As a result of the non-compliance the Organization received a waiver from the bond holders dated October 31, 2011. As discussed in Note 3, the Organization refunded and refinanced existing debt and long-term liabilities with the issuance of the Series 2012 Bonds. Management believes they are in substantial compliance with the bond covenants under the Series 2012 Loan Agreement at December 31, 2012.

In addition to refinancing the debt, the Organization has taken and continues to take a variety of actions in response to these conditions. The Organization has implemented new pricing and financing plans to assist prospects with home sales issues. During the years ended 2012 and 2011 the Organization had a net cash inflow of approximately $1.7 million and $3.3 million from Entrance Fee sales, respectively, as occupancy remains above 93%.

Marketing plan enhancements to the website coupled with an expanded outreach program and strong resident referrals are showing positive results in the first quarter of 2013. Even with new competition in the market area the Organization has maintained 94.5% occupancy and 97.5% sold level. Attrition that is double the budget plan has been resold with nine sales to date and three more closings in April. The Organization has collected $917,000 from sales net of refunds in the first quarter of 2013 to an annual budget of $2.8 million.

NOTE 11 FUTURE ACCOUNTING AND REPORTING REQUIREMENTS

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-01"Health Care Entities: Continuing Care Retirement Communities – Refundable Advance Fees". The amendments in this ASU clarify that an entity should classify an advance fee as deferred revenue when a CCRC has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy by a subsequent resident. The amendments also clarify that refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability.

The amendments in the ASU are effective for fiscal periods beginning after December 15, 2012 for public entities, as defined, with early adoption permitted. Therefore the amendments will be effective for our financial statements for the year ending December 31, 2013. The adoption of the amendment is expected to result in an adjustment decreasing net assets and increasing the liability for refundable fees by approximately $9,492,000 based on our estimate as of December 31, 2012. In addition, income from amortization of deferred revenue arising from entrance fees would be reduced by approximately $1,055,000 based upon our estimate for the year ending December 31, 2012.

C, Orderly Development--7(C)
Licensing & Accreditation Inspections

#24

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Refer to: 44-5482.com.05.22.13

IMPORTANT NOTICE – PLEASE READ CAREFULLY
(Receipt of this Notice is Presumed to be May 22, 2013 -Date Notice E-mailed)

May 22, 2013

Ms. Sally Phillips Ostheimer, Administrator
The Village at Germantown
7930 Walking Horse Circle
Germantown, Tennessee 38138

Re: CMS Certification Number: 44-5482

Dear Ms. Ostheimer:

As a result of the revisit survey conducted on May 15, 2013 by the West Tennessee Regional Office of Health Care Facilities, it has been determined that The Village at Germantown is in substantial compliance with the Medicare requirements for participation for Skilled Nursing Facilities, effective March 31, 2013.

In our letter dated March 11, 2013, we imposed the following enforcement remedies: Denial of Payment for New Admissions (DPNA), and termination of Medicare participation. These remedies did not go into effect because we determined that your facility achieved substantial compliance before the remedies' effective dates. In other words, your Medicare provider agreement remains in effect.

If you have any questions regarding this matter, please contact Bessie Barnes at 404-562-7442.

Sincerely,

/s/

Sandra M. Pace
Associate Regional Administrator
Division of Survey & Certification

cc: State Survey Agency
State Medicaid Agency
Stephanie Davis, Chief LTCCEB
Jill Jones, LTC S&C

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445482	A. BUILDING _____ B. WING _____	02/28/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
THE VILLAGE AT GERMANTOWN	7930 WALKING HORSE CIRCLE GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 000	INITIAL COMMENTS A Comparative Federal Monitoring Survey was conducted at The Village of Germantown on February 25-28, 2013. The facility was not in substantial compliance with Medicare regulations at 42CFR 483.5-483.75- Subpart B- Requirements for Long Term Care Facilities. The following deficiencies resulted from the facility's non-compliance. The census was 29.	F 000		
F 279 SS=D	483.20(d), 483.20(k)(1) DEVELOP COMPREHENSIVE CARE PLANS A facility must use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The facility must develop a comprehensive care plan for each resident that includes measurable objectives and timetables to meet a resident's medical, nursing, and mental and psychosocial needs that are identified in the comprehensive assessment. The care plan must describe the services that are to be furnished to attain or maintain the resident's highest practicable physical, mental, and psychosocial well-being as required under §483.25; and any services that would otherwise be required under §483.25 but are not provided due to the resident's exercise of rights under §483.10, including the right to refuse treatment under §483.10(b)(4). This REQUIREMENT is not met as evidenced by: Based on record review and staff interview, the facility failed to ensure a plan of care, that	F 279	The statements made in this 2567 Plan of Correction for the annual survey conducted on February25-28, 2013 are not an admission of the alleged deficiencies. Rather, The Village at Germantown wishes to remain compliant with all state and federal regulations and has taken actions set forth in this plan of correction, which constitute our allegations of compliance. F279 The facility will use the results of the assessment to develop, review and revise the resident's comprehensive plan of care. The care plan will describe the services to be furnished to attain or maintain the resident's highest practicable physical, mental and psychosocial well-being. Method of Correction: Resident #8 Plan of Care was revised to include non pharmacological interventions. Nursing Management to provide education for active Charge Nurses and CNAs which addresses other interventions besides medications.	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE: Dana Phillips & Dakeems — TITLE: Administrator — (X6) DATE: 3/21/13

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445482	A. BUILDING _____ B. WING _____	02/28/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
THE VILLAGE AT GERMANTOWN	7930 WALKING HORSE CIRCLE GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 279	Continued From page 1 included non-pharmalogical interventions, was developed to address migraine headache pain for one (1) of ten (10) sampled residents (Resident #8), from a total sample of 35. The findings include: Cross Refer F329, example #3. Resident #8 was admitted to the facility 2/21/09 with diagnoses that included Heart Failure, Hypothyroidism, Chronic Kidney Disease, Muscle Weakness, Difficulty in Walking, Bipolar Disorder, Delusions, Esophageal Reflux, Spinal Stenosis, History of Falls, and Dehydration. Review of the resident's Physician's Orders revealed she received Percocet 10 mg (milligrams) -650 mg, PRN (as needed) for pain. Review of the Plan of Care, dated 1/16/13 revealed a potential problem for Resident #8 related to activities: "Resident refuses activities due to pain caused by migraine headaches." Review of the approaches revealed the only plan to address the resident's headaches was to administer medication. Interview with DON 2/27/13 at 1:15 p.m., confirmed no plan had been developed to address how to manage the resident's pain without medications.	F 279	**F279 continued** Quality Assurance and Monitoring: Care Plans for residents who receive pain medications will have non pharmacological interventions added to pain management approaches for their Plan of Care. Nurse Management will review weekly in Resident Risk meetings use of interventions versus pain medications and interventions will be added to any care plan that is non compliant. MDS nurses will report on QAPI compliance and needs for additional training at each QAPI meeting. Date of Completion: 3/31/13	
F 282 SS=D	483.20(k)(3)(ii) SERVICES BY QUALIFIED PERSONS/PER CARE PLAN The services provided or arranged by the facility must be provided by qualified persons in accordance with each resident's written plan of care.	F 282		

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F 282	Continued From page 2	F 282		

This REQUIREMENT is not met as evidenced by:
Based on record review and staff interview, the facility failed to ensure the plan of care was implemented related to pressure ulcer risk for two (2) of five (5) residents reviewed for pressure ulcers, out of 35 sampled residents (Resident #'s 1 and 28).

The findings include:

1. Resident #1 was admitted to the facility 8/8/12 and discharged to an Assisted Living Facility on 9/12/12. The discharge note indicated he had a reddened buttocks left and right, at the time of discharge. The resident's admitting diagnoses were Atrial Fibrillation, Intracranial Hemorrhage, Hypertension, Muscle Weakness, Difficulty in Walking, and Hypertrophy Prostate.

On 9/7/12, a pressure ulcer was identified on the resident's left and right buttocks. Review of the resident's "Interim Plan of Care", developed the day after admission, revealed a potential problem for alteration in skin integrity/pressure ulcers. The goal was for the the resident's skin to remain intact, free of redness, blisters or discoloration for twenty-one days. The approaches included: "Observe, document and notify MD as needed changes in skin or wound status. Complete Braden Scale assessment on resident upon admission, quarterly, annually and with significant change in status. Weekly skin check (by RN (Registered Nurse) or LPN (Licensed Practical Nurse). Inspect skin daily during routine care, especially bony prominence. Notify nurse immediately of any new areas skin breakdown,

F282 The services provided or arranged by the facility will be provided by qualified persons in accordance with each resident's written plan of care.

Method of Correction: Both residents 1 and 28 are discharged residents. All residents will have designated days of the week marked on the MAR for weekly skin assessments.

Active Licensed nurses will be provided education on proper weekly skin assessments.

Quality Assurance and Monitoring:
Nursing Management will review MARs for all residents weekly for compliance in documentation of weekly skin audits. Any nurses who are not compliant will be counseled and educated on proper weekly skin assessments.
Nurse management will provide QAPI data on compliance and needs for additional training at each scheduled QAPI meeting.

Date of Completion: 3/31/13

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F 282	Continued From page 3	F 282		

redness, blisters, bruises or discoloration.

Review of the medical record revealed the resident's pressure ulcers were not staged and documented on the skin assessment, the physician was not notified of the stage of the area and weekly skin checks were not documented according to the plan of care.

The DON verified the Plan of Care had not been followed, on 2/28/13 at approximately 9:02 a.m.

2. Resident #28 was admitted to the facility 12/17/12, and was discharged 2/7/13. The resident's admitting diagnoses were Hip Fracture, History of Fall, Hyperlipidemia, Hypothyroidism, Osteoarthrosis, Pain in Joint Pelvic Region and Thigh, Hypertension, Anemia, Difficulty in walking, and Muscle Weakness.

Review of the "Skin Assessment Records" revealed the the resident had a Stage 2 pressure ulcer on her heels bilaterally.

The plan of care indicated the resident was to have weekly skin checks, however, the resident went from 12/31/12 to 1/14/13 without having a skin check by a licensed nurse documented in the electronic record. The DON later provided a written "Weekly Pressure Ulcer Tracking Log" that provided measurements of the resident's bilateral heels, but did not indicate the resident had weekly skin checks completed.

The DON confirmed the plan of care had not been implemented on 2/25/13 at 10:55 a.m.

F 309 483.25 PROVIDE CARE/SERVICES FOR F 309

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F 309 SS=D	Continued From page 4 HIGHEST WELL BEING	F 309		

Each resident must receive and the facility must provide the necessary care and services to attain or maintain the highest practicable physical, mental, and psychosocial well-being, in accordance with the comprehensive assessment and plan of care.

This REQUIREMENT is not met as evidenced by:
Based on observation, record review, the facility's "Contracture Management" policy review and staff interview, the facility failed to provide the appropriate sized wheelchair to maintain correct alignment for one (1) of 35 sampled residents (Resident #13).

The findings include:

Resident #13 was admitted to the facility on 8/21/12 with diagnoses which included Muscle Weakness and Urinary Tract Infection. Review of his most current Quarterly Minimum Data Set (MDS), dated 11/29/12, revealed he was coded with moderate cognitive impairment and he required extensive assistance with transfer, ambulation, dressing, toilet use and personal hygiene. This MDS also coded he was 72 inches in height (Six Feet Tall), impaired bilaterally of upper and lower extremities for Range of Motion, and utilized a walker and wheelchair as mobility devices.

The resident was observed on 2/26/13 at approximately 11:00 a.m. being pushed down the

F309 Each resident will receive and the facility will provide the necessary care and services to attain and maintain the highest practicable physical, mental and psychosocial well being, in accordance with the comprehensive plan of care.

Method of Correction: Resident 13 was assessed for proper positioning and wheelchair was modified.
All residents will be screened by Rehab Services at admission and bi-annually for wheelchair positioning needs. Such documentation will be noted in the actual screen/evaluation.

Active Licensed Nurses will be educated on recognition of wheelchair positioning needs for referral to Rehab.

Quality Assurance and Monitoring: All wheelchair screens/assessments will be reviewed each week in Resident Risk meeting. Any specialized equipment used will be noted in Resident Plan of Care. Nurse Management will make random audits weekly using recommended wheelchair needs. Any resident not in proper seating as recommended by Rehab will be followed up on immediately.

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F 309	Continued From page 5 hall by a Facility Staff Member "A" in a wheelchair too short for him with no leg rests. Resident #13 legs were observed curled and dragging under the wheelchair while the Facility Staff Member "A" repeatedly stated, "Lift your legs up Mr. xxxx" all the way down the hallway. Review of his "Risk of falls due to impaired mobility, cognitive deficit with poor safety awareness, Hx of falls and potential for medication side effects" Plan of Care, dated 9/6/12, documented a goal of "Resident will remain free of fall related injury through next review date." The approaches included: 1) Coordinate with appropriate staff to ensure a safe environment with floors even and free from spills or clutter, 2) PT [Physical Therapy] screen as indicated PRN [as needed], and 3) Evaluate for, supply adaptive equipment or devices as needed. Re-evaluate as needed for continued appropriateness. On 2/28/13 at approximately 9:00 a.m., the surveyor and facility's Rehab Director observed Facility Staff Member "B" pushing the resident down the hallway in a wheelchair too short for his height without leg rests. Again, the resident was repeatedly asked to lift his legs up during the entire transfer via wheelchair. During an interview with the Rehab Director on 2/28/13 at approximately 9:15 a.m., she confirmed the wheelchair the resident was in was too short for him and there were no leg rests present on the wheelchair. She explained he's usually a peddler but she's noticed the past week or two that he's been very sleepy and dependent on staff to push him around in the wheelchair.	F 309	**F309 continued** Rehab will provide QAPI data on compliance at each QAPI meeting. Date of Completion: Wheelchair seating for resident 13 completed on 2/27/13. Assessments for all residents currently in wheelchairs will be begin 3/15/13. Education for licensed nurses will be completed by3/31/13.	

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F 309	Continued From page 6 Review of the facility's "Contracture Management" policy documented "Make sure patients are positioned properly in chairs, wheelchairs or beds. Modification of beds or wheelchairs may help provide proper positioning, such as extra cushions, chair trays or head rests. When appropriate, Rehab Therapists will be asked to screen for adaptive devices." During an interview with the Director of Nursing (DON) on 2/28/13 at 9:40 a.m., she agreed the resident needed another wheelchair and stated the facility has a room full of wheelchairs of various sizes. The DON communicated they will find a wheelchair appropriate for Resident #13's height with leg rests.	F 309		
F 314 SS=E	483.25(c) TREATMENT/SVCS TO PREVENT/HEAL PRESSURE SORES Based on the comprehensive assessment of a resident, the facility must ensure that a resident who enters the facility without pressure sores does not develop pressure sores unless the individual's clinical condition demonstrates that they were unavoidable; and a resident having pressure sores receives necessary treatment and services to promote healing, prevent infection and prevent new sores from developing. This REQUIREMENT is not met as evidenced by: Based on observation, record review, facility's "Pressure Ulcer Treatment" policy review, and staff interview, the facility failed to monitor and document a description of Pressure Ulcers on a daily basis for two (2) of five (5) residents	F 314	**F314** Based on the comprehensive assessment of the residents, the facility will ensure that residents who enter the facility without pressure sores do not develop pressure sores unless the individual's clinical condition demonstrates they were unavoidable and the residents having pressure sores will receive necessary treatment and services to promote healing, prevent infection and prevent new sores from developing. Method of Correction: Both residents 1 and 28 are discharged residents. All residents will have designated days of the week marked on the MAR for weekly skin assessments. Active Licensed nurses will be provided education on proper weekly skin assessments.	

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F 314	Continued From page 7	F 314		

reviewed for pressure ulcers out of a total universe of 35 sampled residents (Resident #'s 1 and 28).

The findings include:

1. Resident #1 was admitted to the facility 8/8/12 and discharged to an Assisted Living Facility on 9/12/12. The discharge note indicated he had a reddened buttocks left and right side, at the time of discharge. The resident's admitting diagnoses were Atrial Fibrillation, Intracranial Hemorrhage, Hypertension, Muscle Weakness, Difficulty in Walking, and Hypertrophy Prostate.

Review of the skin assessment records revealed the resident had an initial skin assessment on admission, which identified bilateral heel pressure ulcers, which had the following measurements documented: right 6.5 cm X 3.0 cm X .1 cm. and left 5 cm X 3 cm X .1 cm. Neither of the ulcers were staged upon admission. The resident did not have another documented skin assessment until 8/22/12 (14 days later). The next skin assessment was documented 9/7/12 (16 days later), when the reddened area was identified on his left and right buttocks. The area was not measured, nor was it identified as blanchable.

Review of the resident's "Interim Plan of Care", developed the day after admission, revealed a potential problem for alteration in skin integrity/pressure ulcers. The goal was for the the resident's skin to remain intact, free of redness, blisters or discoloration for twenty-one days. The approaches included: "Observe, document and notify MD as needed changes in skin or wound status. Complete Braden Scale

F314 continued

Quality Assurance and Monitoring:
Nursing Management will review MARs for all residents weekly for compliance in documentation of weekly skin audits. Any nurses who are not compliant will be counseled and educated on proper weekly skin assessments.

Nurse management will provide QAPI data on compliance and needs for additional training at each scheduled QAPI meeting.

Date of Completion: 3/31/13

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F 314	Continued From page 8	F 314		

assessment on resident upon admission, quarterly, annually and with significant change in status. Weekly skin check (by RN (Registered Nurse) or LPN (Licensed Practical Nurse). Inspect skin daily during routine care, especially bony prominence. Notify nurse immediately of any new areas skin breakdown, redness, blisters, bruises or discoloration.

During an interview with the DON on 2/28/13 at approximately 9:02 a.m., she confirmed the above findings. She stated the resident should have had a weekly skin check documented.

2. Resident #28 was admitted to the facility 12/17/12, and was discharged 2/7/13. The resident's admitting diagnoses were Hip Fracture, History of Fall, Hyperlipidemia, Hypothyroidism, Osteoarthrosis, Pain in Joint Pelvic Region and Thigh, Hypertension, Anemia, Difficulty in walking, and Muscle Weakness.

Review of the "Skin Assessment Records" revealed the following:

12/17/12- Left Heel: Partial Thickness Wound, Type: Pressure ulcer
TX Marathon: Description open blister wound bed bright pink. 3 cm X 3.5 cm X 0.1 cm. The ulcers were classified as Stage 2. The right heel had the same exact wound, with the same exact measurements. Both wounds were described as having a light exudate amount. Although the onset date was 12/17/12, the skin assessment was not recorded until 12/20/12, three (3) days after admission.

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12/26/12 (9 days after first assessment)- The left and right heel had the same description,with a Moderate exuadate amount and a white ring was noted to circumference of edges with pink, warm, dry and intact. Both left and right heel wounds had the same measurements as before.

There was no further documentation recorded in the electronic record until 1/16/13:

1/16/13- (21 days after last recorded assessment)- The right heel measurements were 2.9 cm X 3.3 cm X 0.1 cm. The left heel measurements were 2.8 cm X 3.5 cm X 0.1 cm with some blood noted.

1/17/13- The resident's left heel was measured again and the measurements were 1.9 cm X 2.1 cm X 0.5 cm and still classified as a Stage 2. The right heel was also measured was 2.0 cm X 2.3 cm X 0.1 cm.

She developed a reddened area on 1/17/13 that was not staged nor, was it described as blanchable. The treatment was to cleanse the excoriated skin between folds of buttocks with wound cleanser and pat dry and apply Calazime protestant. The description read, "excoriated skin, redness with small abrasions between the buttocks." On 1/24/13 there was not a change in the area other than redness noted. There was no other documentation about the resident's buttocks until 2/6/13, when it was documented as healed.

During an interview with the DON on, 2/25/13 at 10:55 a.m., confirmed the above findings. The DON stated the resident should have treatments

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F 314	Continued From page 10 on a weekly basis, unless otherwise ordered and weekly skin assessments that are documented. The DON then provided a written "Weekly Pressure Ulcer Tracking Log" that documented a skin assessment for the resident on 1/4/13 and 1/24/13, but agreed the area on the residents bottom had not been included on the report and since a complete description had not been given, it could have been an area of concern and been included in the documentation.	F 314		
F 318 SS=D	483.25(e)(2) INCREASE/PREVENT DECREASE IN RANGE OF MOTION Based on the comprehensive assessment of a resident, the facility must ensure that a resident with a limited range of motion receives appropriate treatment and services to increase range of motion and/or to prevent further decrease in range of motion. This REQUIREMENT is not met as evidenced by: Based on observation, record review, the facility's "Contracture Management" policy review, and staff interview, the facility failed to provide hand splints within 192 days (Six months, eight days) of recommendation by the Rehab Department for one (1) of one (1) resident reviewed for Range of Motion out of a total sample of 35 (Resident #38). The findings include: Resident #38 was admitted to the facility on 4/14/10 with Diagnoses which included Senile Dementia, Malaise and Fatigue, Chronic	F 318	F318 Based on the comprehensive assessment of the residents, the facility will ensure that residents with limited Range of Motion receive appropriate treatment and services to increase range of motion and /or to prevent further decrease in range of motion. Method of Correction: Resident #38 was evaluated by Orthotic and Physician Orders were written for orders for splint. Splint application training will be provided for Nursing staff upon receipt of splints. Use of splints and contracture management approaches will be added to resident's Plan of Care. All active nurses will be educated on the Contracture Management program.	

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Ischemic Heart, and Contracture of Joints. Based on her recent Quarterly Minimum Data Set (MDS), dated 1/7/13, she was coded with severe cognitive impairment with disorganized thinking and altered level of consciousness, totally dependent for transfer, ambulation, dressing, eating, toilet use, hygiene and bathing. The MDS also coded the resident with bilateral impairments of upper and lower extremities for Range of Motion (ROM).

Observation of the Resident on 2/25/13 at approximately 2:45 p.m. revealed both of her hands were balled up in the fist position.

During interview with Licensed Practical Nurse (LPN) #2 on 2/26/13 at 11:48 a.m., she stated "Ms. xxxx has contractures of both hands and Nursing is working with Therapy to get something for her hands."

Review of the facility's "Contracture Management" policy documented "The Village at Germantown will utilize the following procedures to minimize risks for contractures in residents. Nursing Management will consult Physician to determine individual patient's best range of motion geared for their conditions and abilities . . . Application of splinting devices such as special boots, wrist cushions and pads are often utilized to help prevent contracture of the hands and feet. These devices must be recommended by a licensed Therapist and a Physician's order must be received. When necessary, staff will be trained on proper placement and monitoring of use."

Review of the medical record revealed a

F318 continued

As a part of the bi-annual screening of each resident by Rehab, contracture management will be included, as appropriate.

Quality Assurance and Monitoring: All screens for need of contracture management will be reviewed weekly at Resident Risk Meeting by Rehab Program Director. At each subsequent Risk meeting, follow up will be done to assure proper supplies are ordered and available and being properly applied.

Nurse Management will provide compliance of contracture management at each QAPI meeting for determination of additional training or interventions.

Date of Completion: 03/31/13

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Rehabilitation Screen, dated 8/20/12, which stated "Recommend B [bilateral] resting hand splints to maintain skin integrity and decrease contracture risk." Review of the medical record also revealed there was no documentation within the Physician's orders and progress notes about Therapy's recommendation for hand splints.

The resident's "Limited Physical Mobility related to Osteoarthritis as evidenced by requiring total staff assistance for mobility" Care Plan, dated 4/19/12, included a goal of "Resident will maintain current level of mobility as evidenced by requiring total staff assistance with mobility through goal date." The approaches were: 1) PT/OT [Physical Therapy/Occupational Therapy] referrals as ordered, PRN [as needed], 2) Monitor facial and body expression for pain r/t [related to] movement, muscle rigidity, and osteoarthritis during transfers and ADL [Activities of Daily Living] care, 3) Medicate as ordered r/t Osteoarthritis pain and muscle rigidity, and 4) Observe, document, and report to MD [Medical Doctor] PRN skin breakdown, contractures forming or worsening r/t immobility.

During interview with the Director of Nursing (DON) on 2/28/13 at 9:05 a.m., she stated she wasn't aware of a Therapy recommendation for hand splints and Nursing never received the recommendation therefore the Physician wasn't notified as well as the splints were not ordered. During interview with the Rehab Director on 2/28/13 at 9:15 a.m., she stated Therapy notified Nursing of the recommendation prior to placing a copy in the resident's chart.

During interview with the Rehab Director on

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THE VILLAGE AT GERMANTOWN	7930 WALKING HORSE CIRCLE GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 318	Continued From page 13 2/28/13 at 11:30 a.m., she stated she recalled notifying the previous DON of the Therapy recommendation for hand splints in August 2012 and explained once Nursing spoke to the family and obtained a Physician's order for Hand Splints, Therapy would contact the Hand Splint Company who would take measurements of the resident's hands. She stated since they never received an order, measurements were not obtained. Finally, the Rehab Director stated Therapy doesn't follow the resident currently so they don't know if the resident's hands have deteriorated but they will check. During interview with the Rehab Director on 2/28/13 at 3:10 p.m., she stated they assessed Resident #38 today and identified her left hand and the 1st, 2nd, 3rd digits of her right hand had full Passive Range of Motion (PROM) however deterioration occurred with the 4th and 5th digits of her right hand with limited PROM. Furthermore, she communicated moisture was noted in the crease of the resident's right hand at digits 4 and 5. As a result, the Rehab Director stated OT recommended towel rolls be placed in the resident's hands to prevent skin breakdown and maintain integrity. Lastly, the Rehab Director communicated Nursing was told to notify OT for further needs. When the RO surveyor asked the Rehab Director if the Rehab Department thought the hand splints would have prevented the decreased limitation noted, she stated "That's hard to say."	F 318		
F 329 SS=E	483.25(l) DRUG REGIMEN IS FREE FROM UNNECESSARY DRUGS Each resident's drug regimen must be free from unnecessary drugs. An unnecessary drug is any	F 329	F329 Each resident's drug regimen will be free from unnecessary drugs. Method of Correction: Pharmacy recommendation for Resident #83 was reviewed by physician and reason to decline discontinuation of Ambien was noted on form. Pharmacist reviewed at last visit on 3/14/13 and verified doctor's declination.	

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F 329	Continued From page 14 drug when used in excessive dose (including duplicate therapy); or for excessive duration; or without adequate monitoring; or without adequate indications for its use; or in the presence of adverse consequences which indicate the dose should be reduced or discontinued; or any combinations of the reasons above. Based on a comprehensive assessment of a resident, the facility must ensure that residents who have not used antipsychotic drugs are not given these drugs unless antipsychotic drug therapy is necessary to treat a specific condition as diagnosed and documented in the clinical record; and residents who use antipsychotic drugs receive gradual dose reductions, and behavioral interventions, unless clinically contraindicated, in an effort to discontinue these drugs. This REQUIREMENT is not met as evidenced by: Based on observation, record review and staff and resident interview, the facility failed to ensure the use of antipsychotic, and pain medications were monitored prior to administration and failed to ensure a hypnotic medication was not administered longer than recommended for four (4) of ten (10) sampled residents (Resident #'s 83, 42, 8 and 22), out of a total of 35 sampled residents. The findings include:	F 329	**F329 continued** Resident #42 and 22 medicines identified were reviewed by pharmacist and active licensed nurses will be educated on documentation of effectiveness of these medicines. Active Nurses to be educated on recording pain scale for resident #8 before administering medicines and attempting non pharmacological interventions initially. Nurse Management has set up parameters for administration of amount of pain medicines to be provided per response to pain scale. Nursing Management to provide education for active Charge Nurses and CNAs which addresses other interventions besides medications. Quality Assurance and Monitoring: Nursing Management will review MARs for all residents weekly for compliance in documentation of drug regimen . Any nurses who are not compliant will be counseled and educated on proper drug regimen. Consulting pharmacist to conduct the monthly pharmacy review and continue to make recommendations which Nurse Management will review with doctors with changes made accordingly.	

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1. Resident #83 was admitted to the facility on 10/28/10 and readmitted on 1/8/13 with diagnoses which included Vascular Dementia with Depression, Senility, Debility, Anxiety, and Adult FTT. Based on her Admission Minimum Data Set (MDS), dated 1/17/13, Resident #83 was coded as extensive assist with transfer, dressing, eating, toilet use, and personal hygiene, coded as totally dependent for bathing, and with moderate cognitive impairment. In addition, the MDS coded Resident #83 as inattentive with disorganized thinking.

Review of the resident's Physician Orders revealed she was prescribed 10 milligrams (mg) of Ambien every night since 1/10/13. Ambien is a sedative or hypnotic.

Medical Record review revealed a Pharmacy Consultation Report, dated 2/7/13, which documented "Please consider decreasing to Ambien 5 mg [milligrams] Q HS [every night]. Rationale for Recommendation- There is a risk in elderly and/or debilitated persons towards the development of over sedation, dizziness, confusion, and/or ataxia when sedative/hypnotic agents are used at greater than the recommended maximum safe dose." Further review of the Consultation Report revealed the Physician declined the recommendation with no rationale documented.

2. Resident # 42 was admitted on 4/17/12 with diagnosis of Anxiety, Insomnia, Dementia, Pain, Agitation and Depression. Review of the Admission Minimum Data Set dated 4/29/12 and the next two consecutive assessments, assessed

F329 continued

Nurse Management will provide compliance of drug regimen at each QAPI meeting for determination of additional training or interventions.

Date of Completion: 03/31/13

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the resident with long and short term memory problems and with severely impaired cognitive skills. Inattention and disorganized thinking was continuously present.

A review of the admission Physician's Orders revealed an order for the resident to receive Depakote (anti-seizure medication) 125 milligrams (mg) twice a day and Zoloft (anti-depressant) 50 mg once a day since admission. Review of the Medication Administration Records for December 2012, January and February 2013 revealed the resident has been receiving the medication as ordered. Documentation for how the effectiveness of these medications were monitored could not be located in the resident'srecord.

In an interview with the Director of Nursing on 2/27/13 at approximately 10:00 am., she stated there was no specific documentation by the nurses in the record of how the medication was monitored.

3. Resident #8 was admitted to the facility 2/21/2009 with multiple diagnoses including a history of Migraine Headaches. Review of the MDS, dated 1/17/13 revealed the resident was alert and oriented and able to be interviewed. Resident #8 was interviewed 2/26/13 at 3:58 p.m. and stated she frequently had headaches, but the facility provided medication that relieved the pain. Resident #8 denied she was in any pain at the time of the interview. Upon inquiry, the resident stated she was unaware of any methods to use to alleviate headache pain prior to requesting medication.

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Review of Resident #8's physician's orders revealed she received Percocet 10 mg - 650 mg as needed for pain and Fioricet 325 mg - 50 mg - 40 mg for headache pain. Both medications were prescribed on an as needed basis. There was no parameters to determine which medication should be used for the resident's headache pain.

Review of the resident's "Electronic Medication Administration Record" for February 2013, revealed she received Fiorict 325 mg - 50 mg - 40 mg on eight (8) occasions, without having a pain assessment, or documentation of the effectiveness of the medication. In addition, the resident was administered Percocet 10 mg - 650 mg on seven (7) occasions, without having a pain assessment, or documentation of the effectiveness of the medication.

Review of the resident's "Electronic Medication Administration Record" for January 2013, revealed she received Fioricet 325 mg - 50 mg - 40 mg on two (2) occasions, without having a pain assessment, or documentation of the effectiveness of the medication. The resident was administered Percocet 10 mg - 650 mg on 19 occasions, without having a pain assessment, or documentation of the effectiveness of the medication.

Review of the resident's "Electronic Medication Administration Record" for December 2012, revealed she received Percocet 10 mg - 650 mg on 21 occasions without having a pain assessment or documentation of the effectiveness of the medication.

Interview with the Director of Nursing (DON) on

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2/27/13 at 1:15 p.m. revealed the nurse should always rate the pain level prior to administering a medication, as well as document the effectiveness of the medication.

Review of the facility's "Pain Management" policy and procedure revealed, "Document the resident's reported level of pain with adequate detail (i.e., enough information to gauge the status of pain and the effectiveness of interventions for pain) as necessary and in accordance with the pain management program. Upon completion of the pain assessment, the person conducting the assessment shall record the information obtained from the assessment in the resident's medical record...Document the following...: 1. results of the pain assessment, 2. medication, 3. dose, 4. route of administration, and 5. results of the medication (adverse or desired).

4. Resident #22 was admitted to the facility on 6/27/12 with diagnoses of Fracture of Hip, Personal History of Fall, Hypertension, Vascular Dementia with Depressed Mood, Anemia, Muscle Weakness, Difficulty in Walking, Pain in Soft Tissues, Allergies and Cerebral Artery Occlusion with Infarct. The resident had been discharged from the facility at the time of the survey.

Review of the resident's February 2013 Physician's Orders revealed she received Lortab 5/325 mg every eight hours, as needed and Ativan .5 mg every eight hours as needed.

Review of the January 2013 "Electronic Medication Administration Record" revealed the resident received Lortab 5/325 mg on two (2)

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F 329	Continued From page 19 occasions without a pain assessment or documentation of the medication's effectiveness. Review of the December 2012 "Electronic Medication Administration Record" revealed she received Lortab 5/325 mg on two (2) occasions without a pain assessment or documentation of the medication's effectiveness. She also received Ativan .5 mg on one (1) occasion without documentation of why it was administered or it's effectiveness. Interview with the DON on 2/28/13, at 11:00 a.m., confirmed the above findings. The DON indicated the nurse should document a pain assessment each time a medication is administered, as well as the effectiveness. She further stated the nurse should have documented why the Ativan was administered.	F 329		
F 332 SS=E	483.25(m)(1) FREE OF MEDICATION ERROR RATES OF 5% OR MORE The facility must ensure that it is free of medication error rates of five percent or greater. This REQUIREMENT is not met as evidenced by: Based on observation, record review and staff interview, the facility failed to ensure the medication error rate was less than 5%. Four (4) errors were observed out of fifty-two (52) opportunities, resulting in a 7.69% error rate, on two (2) of two (2) units. The findings include:	F 332	**F332** The facility will ensure that it is free of medication error rates of five percent or greater. Method of Correction: All nurses involved in the errors to receive one on one documented education on the error committed. Pharmacy to provide med pass reviews for active nurses and will continue random med pass audits monthly. Nurse Management will also conduct random med pass audits. Quality Assurance and Monitoring: As random med pass observations are conducted, Nurse management and/or Pharmacy staff will provide counseling to all active nurses in question and document education.	

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F 332	Continued From page 20 During the Medication Pass observation conducted on 2/27/13, the following errors were observed: 1. On 2/27/13 at 10:00 a.m., Licensed Practical Nurse (LPN) #5 administered a Multivitamin with Iron to Resident #94. Review of the current Physician's Order revealed an order for the resident to receive one Multivitamin tablet every day. 2. On 2/27/13 at 2:30 p.m. , LPN # 4 administered one drop of Lubricant Eye drops to each eye for Resident #17. Review of the current Physician's Order revealed an order for the resident to receive two (2) drops to each eye three (3) times each day. During the Medication Pass observation conducted on 2/28/13, the following errors were observed: 1. Resident #106 had a current Physician's Order to receive one 100 mg tablet of Colace twice a day. During an observation on 2/28/13 at 10:40 a.m., LPN #3 omitted the Colace tablet when administering the resident's medications. 2. On 2/28/13 at 10:30 a.m., LPN #1 administered one 250 mg tablet of Niacin to Resident #1. Review of the Physician's Orders revealed an order for the resident to receive one 500 mg tablet of Niacin every day. In an interview with LPN #4, at the time of the observation, and after reviewing the Physician's Orders, she stated she should have administered	F 332	**F332 continued** Nurse Management will provide compliance of med pass at each QAPI meeting for determination of additional training or interventions. Nurses will receive quarterly update education on med pass errors from Pharmacy. Date of Completion: 03/31/13	

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F 332	Continued From page 21 two (2) drops to each eye for Resident #17. In an interview with the Director of Nursing on 2/28/13, at approximately 5:00 p.m., she stated the Multivitamin without iron should have been given and the other medications should have been given as ordered.	F 332		
F 363 SS=F	483.35(c) MENUS MEET RES NEEDS/PREP IN ADVANCE/FOLLOWED Menus must meet the nutritional needs of residents in accordance with the recommended dietary allowances of the Food and Nutrition Board of the National Research Council, National Academy of Sciences; be prepared in advance; and be followed. This REQUIREMENT is not met as evidenced by: Based on observation, record review, and staff interview, the facility failed to ensure the planned menus were followed and portion control was used for 20 of 20 residents who received a regular diet. The findings include: During the tray line observation, conducted 2/28/13 beginning at 12:15 p.m., with the Director of Nutrition Services (DNS) present, the following concerns were identified: 1. The planned menu indicated 3 ounces of grilled shrimp should be served. Hospitality Associate #1 used a 4 ounce scoop but never did fill the scoop with shrimp. Upon inquiry, she said, "I give maybe about six on the sandwich." The	F 363	F363 Menus will meet the nutritional needs of residents in accordance with the recommended dietary allowances of the Food and Nutrition Board of National Research Council and will be prepared in advance and be followed. Method of Correction: Menus and spreadsheets with proper portion sizes will pre-planned and approved by RD A menu substitution form will be used for any menu changes and approved by Dietary Manager and RD as necessary. Menu will be reviewed by DSM on weekly basis to ensure it is being followed. Quality Assurance and Monitoring: Random checks of food plating will be conducted by Food Service Management and food service staff that is not compliant will be counseled and educated on proper menu portioning.	

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F 363	Continued From page 22 DNS confirmed no portion control was used. 2. The planned menu indicated 4 ounces of asparagus should be served. Each resident received 2 spears of asparagus. The DNS said, "The two spears was no where near four ounces." 3. The planned menu indicated 4 ounces of potatoes and cabbage should be served. No portion control was used during service. A slotted spoon was used. Hospitality Associate #2 said, "We always use slotted spoons or tongs." During an interview with the DNS on 2/28/13 at 4:00 p.m., she confirmed the menus were not followed.	F 363	**F363 continued** Food Service Management will provide compliance of menus at each QAPI meeting for determination of additional training or interventions. Yearly updated training on menu portion control and service will be provided by RD. Date of Completion: 3/31/13	
F 371 SS=F	483.35(i) FOOD PROCURE, STORE/PREPARE/SERVE - SANITARY The facility must - (1) Procure food from sources approved or considered satisfactory by Federal, State or local authorities; and (2) Store, prepare, distribute and serve food under sanitary conditions This REQUIREMENT is not met as evidenced by: Based on observation, and staff interview, the facility failed to ensure opened food items were dated and labeled, the table mounted can opener was clean, scoops were stored out of food products, test strips were available to test chemical concentration, food was held and	F 371		

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served above 135 degrees Fahrenheit, staff members could calibrate food thermometers, the temperature of all food was taken prior to service, puree food was thawed using an approved method, and cross contamination did not occur during food preparation, which had the potential to effect all residents.

The findings include:

The initial tour of the Main Kitchen was conducted 2/25/13, at 1:25 p.m., with the Director of Nutritional Service (DNS) and the Chef. The following concerns were identified:

Dry Storage Room

1. Pancake and Waffle flour was open and wrapped in plastic wrap. There was no label or date on the product.

2. Spaghetti, elbow macaroni, penne pasta, rotini pasta and linguini were open and poured into large storage containers and contained no label or date.

3. A bag of gravy mix was open, with 1/3 of the product remaining, and had no label or date.

4. Vanilla wafers were open and had no label or date.

5. Mild Barbeque Rub was open and had no label or date.

6. Quick grits, with 1/4 of the product remaining, was open and had no label or date.

F371 The facility will procure food from sources approved or considered satisfactory by Federal, State and local authorities and will store, prepare, distribute and serve food under sanitary conditions.

Method of Correction: All dining staff will receive in-service on proper food storage, preparation and sanitation.
Test strips were provided for satellite kitchen dish washer use in designated location.
Staff to be provided review of facility policy on thawing foods.

Quality Assurance and Monitoring: Compliance will be monitored by DSM/Chef/RD/Director of Dining Services on monthly basis and at random audits as Management is in the kitchen. Any non compliance found will be dealt with and staff provided with documented training. Food Service Management will provide compliance of sanitation at each QAPI meeting for determination of additional training or interventions.

Date of Completion: 03/31/13

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7. A bag of a brown powder, identified as cocoa by the DNS, was open and had no label or date.

8. A bag of stuffing mix was open and had no label or date.

The DNS and Chef stated at the time of the observation, all open items should have a label and date.

Walk in Refrigerator

9. A five (5) pound bag of Parmesan grated cheese was open and had no label or date.

10. A five (5) pound bag of pepperjack cheese cubes was open and had no label or date.

11. A five (5) pound block of sliced cheese was open and had no label or date.

12. A small amount of pink meat, identified as salami, by the Chef was open and had no label or date.

The Chef stated at the time of the observation, all open items stored in the refrigerator should have a label and date.

13. The table mounted can-opener had a heavy accumulation, of a black, sticky substance around the holder, and needed to be cleaned.

14. The scoops for the sugar and rice were stored in the product. The Chef immediately removed the scoops and stated they should not be stored in the product.

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An observation of the tray line service was conducted 2/28/13, at 12:15 p.m., in the Satellite Kitchen, with Hospitality Associates #1 and #2 and the DNS present. The following concerns were identified:

15. There were no test strips available to check the chemical concentration of cleaning solution, used to sanitize surfaces in the kitchen. The DNS stated she could bring some from the Main Kitchen, but typically did not recheck the concentration during the day.

16. Hospitality Associate #1 was unable to calibrate the food thermometer. She said, "I calibrate it to 40 degrees everyday then take the temperatures." A calibrated thermometer was obtained prior to taking food temperatures.

17. Carrots were held on the steam table at 120 degrees Fahrenheit and served to residents.

18. The temperature of the salad and salad dressing was not obtained prior to service to residents. The DNS stated all food temperatures should be recorded prior to service.

19. The cutting board, next to the tray line, had tray cards, used alcohol prep pads, plates, and a one gallon container of salad dressing setting on it, during the tray line service. Hospitality Associate #1 continued to use the cutting board to slice sandwiches. It was never sanitized.

20. Hospitality Associate #1 used a large serrated knife to slice Shrimp Po-Boy sandwiches. The DNS prepared a pimento cheese sandwich for Resident #8 and used the

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445482	A. BUILDING _____ B. WING _____	02/28/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
THE VILLAGE AT GERMANTOWN	7930 WALKING HORSE CIRCLE GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 371	Continued From page 26 same serrated knife to slice the sandwich, which increased the risk for cross contamination. 21. Frozen mixed berry puree and frozen peach puree was left out to thaw at room temperature. The DNS stated it was not facility policy to thaw items at room temperature.	F 371		
F 441 SS=D	483.65 INFECTION CONTROL, PREVENT SPREAD, LINENS The facility must establish and maintain an Infection Control Program designed to provide a safe, sanitary and comfortable environment and to help prevent the development and transmission of disease and infection. (a) Infection Control Program The facility must establish an Infection Control Program under which it - (1) Investigates, controls, and prevents infections in the facility; (2) Decides what procedures, such as isolation, should be applied to an individual resident; and (3) Maintains a record of incidents and corrective actions related to infections. (b) Preventing Spread of Infection (1) When the Infection Control Program determines that a resident needs isolation to prevent the spread of infection, the facility must isolate the resident. (2) The facility must prohibit employees with a communicable disease or infected skin lesions from direct contact with residents or their food, if direct contact will transmit the disease. (3) The facility must require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted	F 441	**F441** The facility will establish and maintain an Infection Control program designed to provide a safe, sanitary and comfortable environment and will help prevent the development and transmission of disease and infection. (3) The facility will require staff to wash their hands after each direct resident contact for which hand washing is indicated by accepted professional practices. Method of Correction: Agency Nurse to be educated and checked off on infection control by the Agency Nursing vendor with documented proof of education. Facility will conduct training throughout the year in conjunction with pharmacy on proper infection control techniques in administration of medication. Quality Assurance and Monitoring: Random med pass audits conducted by Nurse Management and Pharmacy will include infection control techniques. Any non compliance will be corrected at the time of occurrence with documented education provided. Nurse	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	445482	A. BUILDING _____ B. WING _____	02/28/2013

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
THE VILLAGE AT GERMANTOWN	7930 WALKING HORSE CIRCLE GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
F 441	Continued From page 27	F 441		

professional practice.

(c) Linens
Personnel must handle, store, process and transport linens so as to prevent the spread of infection.

This REQUIREMENT is not met as evidenced by:
Based on observation, staff interview and review of the facility's "Handwashing/Hand Hygiene Policy", the facility failed to ensure hand hygiene was followed while preparing medications for one (1) of four (4) nurses observed.

The findings include:

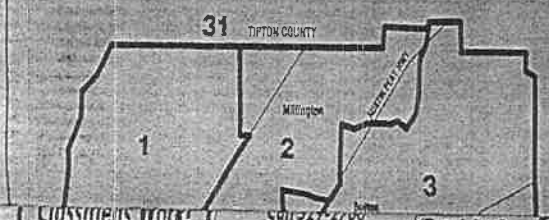
During observation of the Medication pass, conducted 2/28/13 at approximately 10:30 a.m., Licensed Practical Nurse (LPN) #1 wiped her eyes with a tissue prior to preparing medications for Resident #104. After wiping her eyes, the nurse threw the tissue in the trash and proceeded to prepare the medications for the resident without washing or sanitizing her hands. During an interview with the Director of Nursing on 2/28/13, at approximately 5:00 p.m., she stated LPN #1 should have washed her hands before preparing the medications.

Review of the facility's "Handwashing/Hand Hygiene Policy," revealed it was the policy of the facility for staff to wash or sanitize their hands before preparing or handling medications.

F441 continued
Management will provide compliance of infection control techniques with med pass at each QAPI meeting for determination of additional training or interventions.

Date of Completion: 3/31/13

REAL ESTATE AREAS MAP



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NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Village at Germantown (a nursing home), owned by The Village at Germantown, Inc. (a non-profit corporation), and managed by CRSA/LCS Management, LLC (a limited liability company), intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare-certified skilled nursing facility (SNF) beds to its existing SNF facility at 7930 Walking Horse Circle, Germantown, TN 38138. This facility is on the enclosed campus of a Continuing Care Retirement Community for senior adults (also named The Village at Germantown) that provides its residents with independent living units, assisted living beds, and skilled nursing services that include rehabilitation therapies. The capital cost is estimated to be $5,700,000. The facility is currently licensed by the Board for Licensing Health Care Facilities as a nursing home with a total bed complement of thirty (30) Medicare-certified SNF beds; this project will increase its licensed complement to fifty (50) Medicare-certified SNF beds.

The project does not contain major medical equipment or initiate or discontinue any significant health service; and it will not affect any other facility's licensed bed complements. The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to the following address effective October 11, 2013:

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
500 Deaderick Street
Nashville, TN 37243

Pursuant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled

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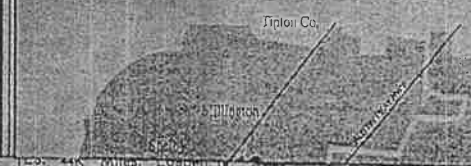

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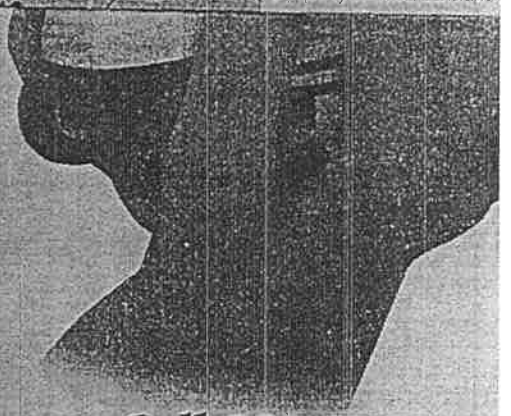

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AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of October (Month), 2013 (Year) a Notary

Public in and for the County/State of DAVIDSON CO., TN.

NOTARY PUBLIC

My commission expires 1-11 (Month/Day), 2017 (Year).

COPY-

SUPPLEMENTAL-1

The Village at Germantown SNF

CN1310-039

October 28, 2013

Mark Farber, Assistant Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
Fifth Avenue at Demonbreun Street
Nashville, Tennessee 37203

RE: CON Application CN1310-039
The Village at Germantown SNF

Dear Mr. Farber:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. Section A, Applicant Profile, Section 5

a. Does the applicant anticipate any changes to the Management Contract after initiation of the 20 additional beds? If yes, please detail those changes.

No changes are anticipated.

b. Please describe the rationale for the change in management companies from CRSA to CRSA/LCS Management, LLC. Please identify the members of the LLC and each member's percentage of ownership.

In April 2010, CRSA Management, LLC, which was established in 1989, and its affiliates sold certain of their assets to CRSA Acquisition LLC and its wholly owned subsidiaries, including CRSA/LCS. CRSA Acquisition LLC and Life Care Services LLC ("Life Care Services") are sister companies and wholly-owned subsidiaries of Life Care Companies LLC. In connection with that transaction, the marketing and management agreements between the Community and CRSA Management, LLC were assigned to CRSA/LCS.

4219 Hillsboro Road, Suite 203
Tel 615.665.2022

2 Section B, Project Description, Item B.II.A

a. Please identify the number of current beds available in the cottages, apartments, and assisted living units and their locations on the campus. Please also identify the current occupancy for each type of living unit. Please discuss how the configuration of these different living units will change after the referenced major expansion project is completed.

The table below identifies current and proposed bed accommodations throughout the CCRC campus. Only the SNF expansion is subject to CON review, and all of its capital costs have been included in the CON application.

Area	Currently Available	To be Renovated	New Construction	Total	Currently Occupied
Apartments	170			170	161
Cottages	28			28	28
Assisted Living Units	13	-13	30	30	13
Memory Care Beds	8	-8	14	14	8
Nursing (SNF) Beds*	30	20		50	29
Total	249	-1	44	292	239

* *These are the only beds subject to CON review.*

Please see the revised site plan for the location of these accommodations. The apartments are marked "Independent Living" and are in three multi-story buildings in the central part of the campus. The cottages are free-standing dwellings along both sides of Apaloosa Drive, on the east side of the campus. The new Assisted Living Building is to be on the west side of the campus very close to the South Germantown Road entry. As stated in the application, it will replace Assisted Living units (including Memory Care beds) that are now in the Health Care Center on the northwest side of the campus, where the SNF is located. The only change of location in these accommodations is the movement of Assisted Living/Memory Care residents from the Health Care Center (HCC) into the new Assisted Living Building, so that the SNF can expand in the HCC.

Also attached after this page is revised page 12R, with its table corrected to show 249 currently existing units.

b. If a resident currently in independent living or assisted living moves in to the SNF nursing home, what happens to their current living arrangement?

Independent living – if a resident of independent living is permanently transferred into nursing, the resident's independent living unit would be emptied and available for occupancy by a prospective resident of The Village.

Assisted living - if a resident of an assisted living unit is permanently transferred into nursing, the vacated assisted living unit would be emptied and available for occupancy by either (a) a resident residing in independent living and in need of assisted living, or (b) a prospective resident originating from outside of The Village.

c. Is the cost of renovating Wing A included in this application's project cost? Since the project will not be fully completed until those renovations take place, those costs should be included.

Those costs are included. Please see Table Five on page 10 of the application, showing that and other construction cost components of the project.

d. In Item c, page 8 should "Wing B" be "Wing A"?

Yes. Attached is revised page 8R correcting that typographical error.

8. Please explain how the applicant will handle demand for SNF beds with 15 SNF beds being out of service for approximately 15 months through late 2016.

Step 1: Upon completion of the new assisted living building in April 2015, the existing Wing B (assisted living) will be renovated into 20 additional nursing beds and opened for occupancy by August 6, 2015. At that time, the SNF will have 50 licensed beds—consisting of the current 30 beds in Wing A, plus the 20 new beds in Wing B.

Step 2: In August 2015, the SNF will move all its patients into 35 beds (20 new beds on Wing B; 15 older beds on Wing A) and will renovate the other currently licensed 15 beds on Wing A. The latter will be completed in November 2015. While it is in progress, the SNF will maintain 35 available beds, which is 5 more beds than the 30 available today.

Step 3: The SNF will open the 15 Wing A beds renovated in Step 2, and will renovate the 15 Wing A beds that were not renovated in Step 2. This final step will start in November 2015 and conclude in January 2016. Again, the SNF will always have 35 beds available for occupancy. When all three steps are completed, the SNF will have 50 newly renovated beds and updated support areas, in both Wings A and B combined.

9. Please explain why it will take only 3 months to renovate the first set of 15 rooms in Wing A but take what looks like a year for the second set of 15 rooms in Wing A.

As mentioned below, the Project Completion Schedule was incorrect and has been revised in these responses. Here is The Villages' projected schedule of key events. The revised Schedule reflects these milestones. The 20 beds opening August 6, 2015 are the additional 20 SNF beds that are the subject of this CON application. The other entries are the remodeling phases of the existing 30 SNF beds.

Area	Construction Start	Construction Finish	Opening Date
Assisted Living/Memory Care Building	5/29/14	4/1/15	4/3/15
20 New SNF Beds Wing B	4/22/15	8/4/15	8/6/15
15 Existing SNF Beds Wing A	8/12/15	11/3/15	11/9/15
15 Existing SNF Beds Wing A	11/4/15	1/26/16	1/28/16

10. When will all 50 SNF beds be in operation?

August 8, 2016 is when 50 beds will be licensed. However, as described in the response to question #8 above, thirty currently licensed beds will then be renovated during CY2016 in two steps, to ensure the availability of 35 beds at all times. All renovation will be finished and all 30 of those beds will be opened for occupancy in January 2016, making all 50 beds available from January 2016 onward.

11. Please complete the Square Footage and Costs per Square Footage Chart found in the CON Application form.

Attached following this page.

3. Section B, Project Description, Item B.II.B
Are Memory Care/Special Care Units licensed units? If yes what licensure type?

Yes – Memory Care/Special Care Units are licensed as Assisted Care Living Facilities by the Department of Health, Division of Health Care. Assisted Care Living Facilities are permitted to have secured units and can retain residents into the last stages of Alzheimer's disease.

4. Section B, Project Description Item III.A.
Please submit a revised Plot Plan that identifies the location of the cottages, apartments, the new assisted living building, and the memory care units.

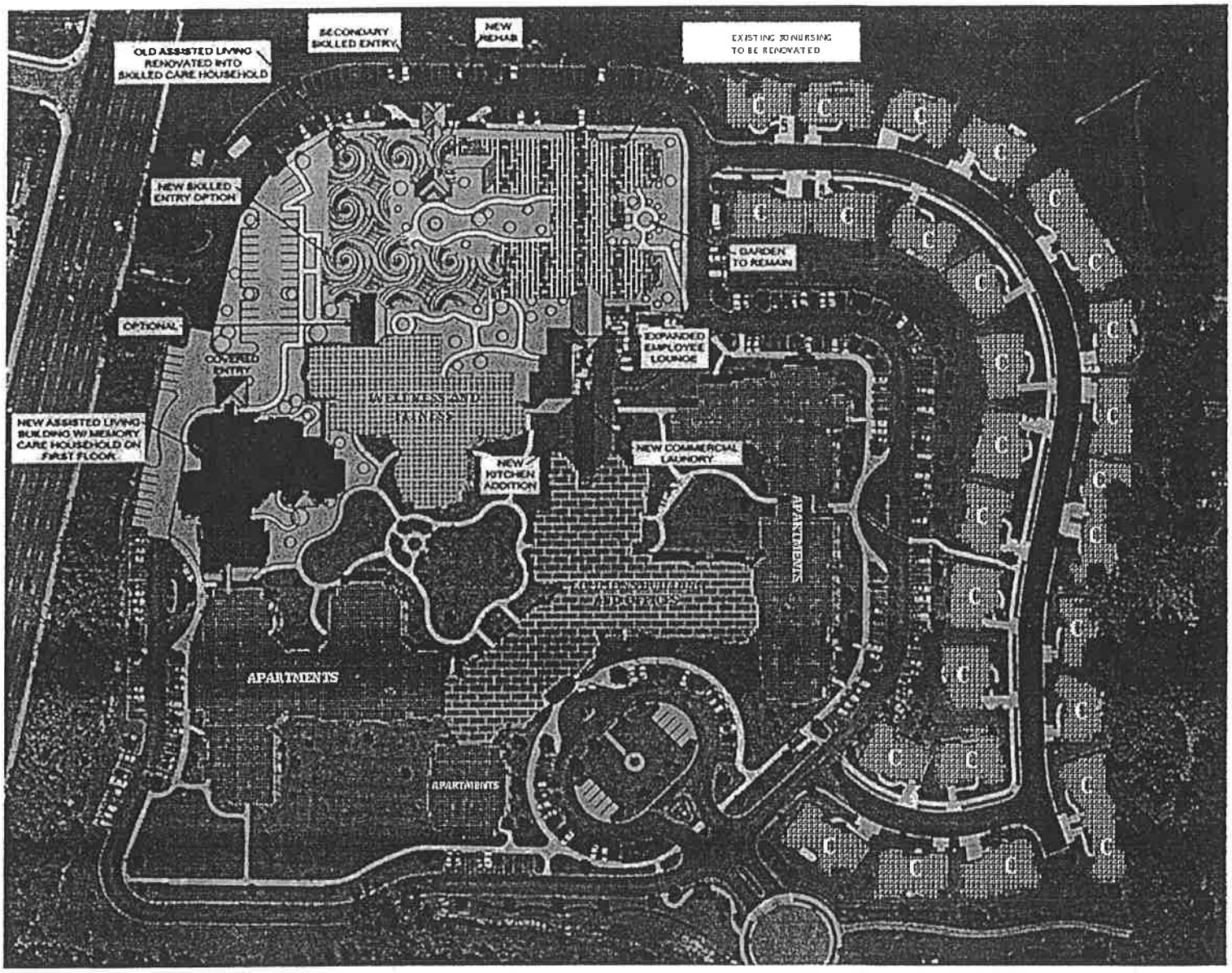
Attached following this page. Please note that The Village uses the term "Rehab Beds" for some of its SNF beds; they are part of the existing and proposed SNF beds discussed in this application.

5. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) A. Need 1.
It appears that the applicant will need to adjust its bed need calculations. There are currently 3,976 licensed beds in Shelby County and three outstanding CONs with accounting for 148 approved but yet to be licensed beds. (CN0908-045, 90 beds; CN1202-011, 28 beds; CN1303-008, 30 beds)

Attached after this page are revised pages 18R-19R, correcting the bed data and showing a net need for 921 more beds--after licensed, inactively licensed, and CON-approved but unimplemented new and replacement beds are taken into account.

THE VILLAGE AT GERMANTOWN
SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
WING A	HCC	21,236 SF	NA	21,345 SF	9,414 SF	401 SF	9,815 SF	$119.75	$119.70	$1,175,350.00
WING B	HCC	18,591 SF	NA	20,871 SF	15,647 SF	2,548 SF	18,195 SF	$112.10	$195.51	$2,252,205.00
B. Unit/Dept. GSF Sub-Total										
C. Mechanical / Electrical GSF										
D. Circulation / Structure GSF										
E. Total GSF	HCC	39,827 SF	NA	42,216 SF	25,061 SF	2,949 SF	28,010 SF	$119.75	$123.78	$3,427,555.00
GRAND TOTAL	HCC	39,827 SF	NA	42,216 SF	25,061 SF	2,949 SF	28,010 SF	$119.75	$123.78	$3,427,555.00



C Cottages

Wellness and Fitness

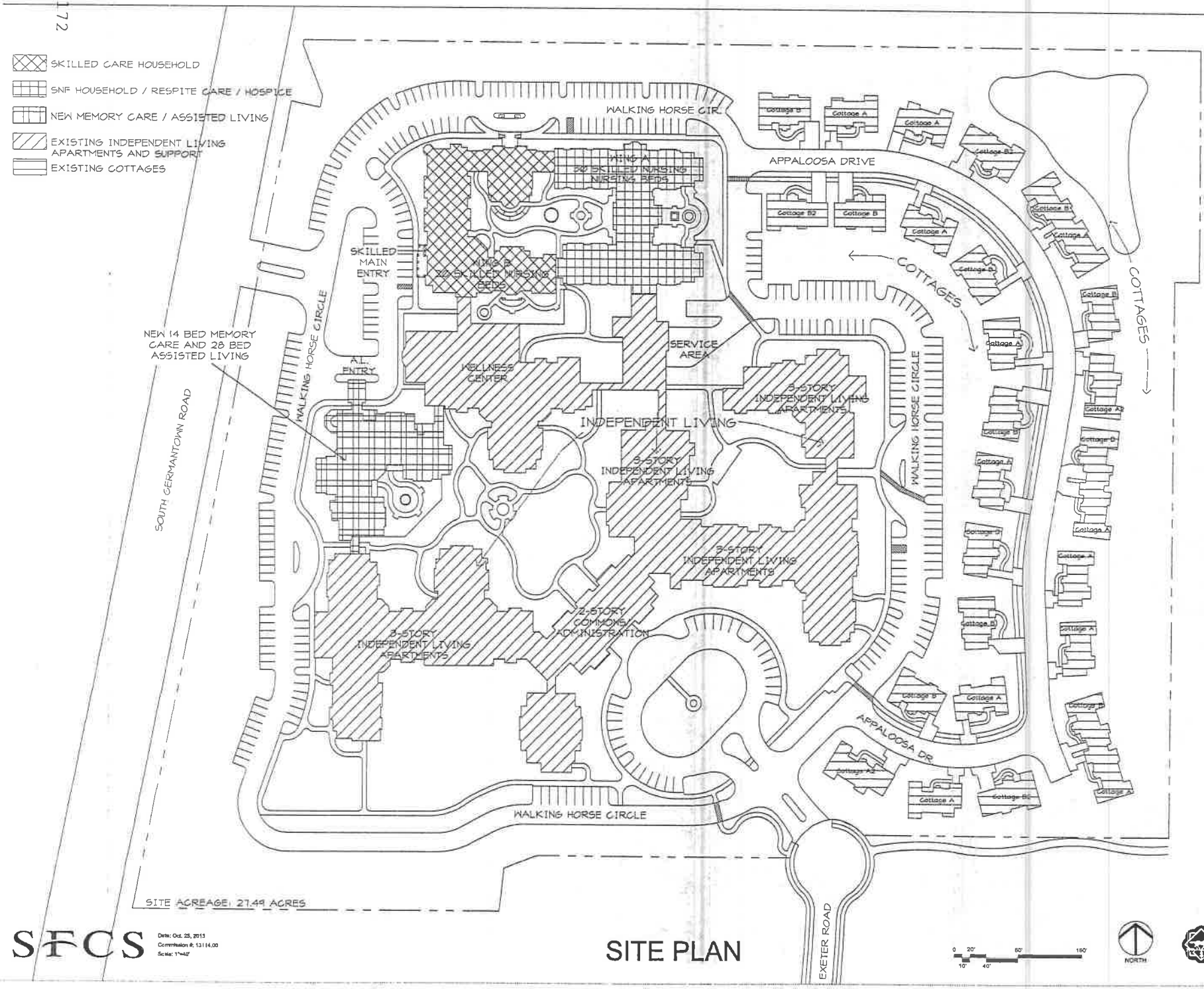
Apartments

Common areas and offices

Existing 30 nursing beds

Existing AL/MC to be renovated into 20 nursing beds

New construction of AL/MC building



SFCS

Date: Oct. 25, 2013
Commission #: 13114.00
Scale: 1"=40'

SUPPLEMENTAL #1
OCTOBER 28
1:4pm

6. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) A. Need 3.

Please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Shelby County since 2009. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

The applicant has no way of knowing the impact of the LTCCCA of 2008 on nursing home days in Shelby County. As shown in Table Twelve-A (attached below), total nursing home days in Shelby County increased 2.4% from 2009 to 2010, then decreased by 1.1% from 2010 to 2011, then decreased 0.5% from 2011 to 2012. This resulted in a net increase of 0.8% during the 2009-2012 period--but the direction has been downward since 2010, which may indicate that the LTCCA is lowering this patient population's demand for nursing care outside the home.

7. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) B. Occupancy and Size Standards 2.

Your response to this item is noted. Please address this criterion in terms of whether or not individual nursing homes of 50 beds or more have achieved an average annual occupancy rate of 95%.

Please see new Table Twelve-C, which is attached with Tables 12-A and 12-B following response #9 below.

Table Twelve-C shows the most recently reported average annual occupancy of Shelby County nursing homes licensed for 50 or more beds. Those 25 facilities reported an average occupancy of 88%; 5 of them reported an occupancy exceeding 95%.

8. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) B. Occupancy and Size Standards 4.

Your response to this item is noted. Please make the following corrections. The standard is for 30 beds. The applicant is only increasing its bed capacity to 50, not 60.

Attached is a revised page 21R correcting that.

9. Section C, Need, Item 5

a. Please complete the following table for all licensed nursing homes located in Shelby County:

Nursing Home	2013 Lic.'d Beds	2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	'09- '12 % Change	2009 % Occ.	2010 % Occ.	2011 % Occ.	2012 % Occ.
Total										

b. Please complete the following chart for all Shelby County service area nursing homes:

Service Area Nursing Home Utilization –Most Recent JAR

Facility	Lic. Beds	SNF Beds-Medicare	SNF Beds-Medicare/ Medicaid	Other Lic. Beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC	Non-Skilled Medicaid ADC	Non-Skilled All Other Payor ADC	Total ADC
Total										

Attached following this page are new Tables Twelve-A and Twelve-B, providing the requested data in this format.

Table Twelve-A: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Allen Morgan Health & Rehab Center	104	28,443	29,053	27,178	32,094	12.8%	74.9%	76.5%	71.6%	84.5%
Allenbrooke Nursing & Rehab Center	180	61,566	61,632	62,846	62,784	2.0%	93.7%	93.8%	95.7%	95.6%
Americare (formerly Civic Health/Rehab)	0	52,630	52,472	52,210	NR	NA	60.8%	60.7%	98.6%	NA
Applingwood Healthcare Center	78	25,959	27,076	24,486	26,651	2.7%	91.2%	95.1%	86.0%	93.6%
Ashton Place Health & Rehab Center	211	72,948	72,619	65,464	68,410	-6.2%	94.7%	94.3%	85.0%	88.8%
Ave Maria Home	75	25,917	26,796	25,652	24,507	-5.4%	94.7%	97.9%	93.7%	89.5%
Baptist Memorial Hospital SNF	35	8,647	10,378	10,590	10,561	22.1%	67.7%	81.2%	82.9%	82.7%
Baptist Skilled Rehab Unit Germantown	18	NR	324	5,123	5,423	5.9%	NA	4.9%	78.0%	82.5%
Bright Glade Health & Rehab Center	77	26,264	25,709	25,451	25,867	-1.5%	88.8%	87.0%	86.1%	87.5%
Dove Health & Rehab of Collierville	114	11,038	27,733	34,996	35,754	223.9%	26.5%	66.6%	84.1%	85.9%
Grace Healthcare	240	80,505	86,103	74,167	74,167	-7.9%	77.7%	83.1%	71.5%	71.5%
Graceland Nursing Center	240	83,676	82,117	76,445	75,843	-9.4%	95.5%	93.7%	87.3%	86.6%
Harbor View (Court Manor)	120	24,682	23,637	34,815	36,457	47.7%	69.0%	54.0%	79.5%	83.2%
Kindred Transitional Care (Primacy)	120	40,117	41,826	31,637	32,196	-19.7%	91.6%	95.5%	72.2%	73.5%
Kirby Pines Manor	120	41,741	40,578	42,160	42,722	2.4%	95.3%	92.6%	96.3%	97.5%
Memphis Jewish Home	160	54,271	48,726	44,394	42,920	-20.9%	92.9%	83.4%	76.0%	73.5%
Methodist Healthcare SNF	44	6,128	5,472	5,370	6,623	8.1%	38.2%	34.1%	33.4%	41.2%
MidSouth Health & Rehab Center	155	52,466	17,147	29,172	49,201	-6.2%	92.7%	30.3%	51.6%	87.0%
Millington Healthcare Center	85	27,186	29,170	28,410	28,917	6.4%	87.6%	94.0%	91.6%	93.2%
Poplar Point Health & Rehab (Overton Park)	169	51,418	53,543	47,604	51,074	-0.7%	83.4%	86.8%	77.2%	82.8%

Table Twelve-A: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Parkway Health & Rehab Center	120	42,590	36,359	42,549	42,102	-1.1%	97.2%	83.0%	97.1%	96.1%
Quality Care of Memphis	48	13,288	13,026	12,244	12,535	-5.7%	75.8%	74.3%	69.9%	71.5%
Quince Nursing & Rehab Center	188	66,004	65,719	66,343	65,776	-0.3%	96.2%	95.8%	96.7%	95.9%
Rainbow Health & Rehab of Memphis	115	30,269	38,767	39,763	39,641	31.0%	74.0%	94.8%	94.7%	94.4%
Signature Healthcare at St. Francis	197	28,965	72,715	62,807	61,821	113.4%	40.3%	101.1%	87.3%	86.0%
Signature Healthcare at St. Peter Villa	180	62,792	56,578	54,445	60,560	-3.6%	95.6%	86.1%	82.9%	92.2%
Signature Healthare of Memphis	140	47,157	49,005	48,440	49,467	4.9%	92.3%	95.9%	94.8%	96.8%
Spring Gate Healthcare & Rehab Center	233	71,473	73,826	78,591	78,439	9.7%	84.0%	86.8%	92.4%	92.2%
The Highlands of Memphis Health & Rehab	180	53,824	53,561	55,255	60,143	11.7%	81.9%	81.5%	84.1%	91.5%
The Kings Daughters & Sons Home	108	38,873	38,768	37,938	38,653	-0.6%	98.6%	98.3%	96.2%	98.1%
The Village at Germantown	30	10,011	10,002	9,371	9,462	-5.5%	91.4%	91.3%	85.6%	86.4%
Whitehaven Community Living Center	92	29,249	30,136	30,268	28,888	-1.2%	87.1%	89.7%	90.1%	86.0%
TOTALS	**3,976**	**1,270,097**	**1,300,573**	**1,286,164**	**1,279,658**	**0.8%**	**83.4%**	**85.4%**	**84.5%**	**84.1%**

Table Twelve-B: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds--By Level of Care
2012 Joint Annual Report

Primary Service Area (Shelby County) Nursing Care Facilities	Licensed Bed Complement					ADC By Level of Care					
	Total Licensed Beds 2012	SNF Medicare Only Beds	SNF/NF Medicare & Medicaid (Dually Certified) Beds	Medicaid Only Beds	Non-Certified Beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC	Non-Skilled Medicaid ADC	Non-Skilled Other Payor ADC	Total All Beds ADC
Allen Morgan Health & Rehab Center	104	24	0	0	80	18.5	0.0	0.0	0.0	69.4	87.9
Allenbrooke Nursing & Rehab Center	180	0	180	0	0	14.6	13.9	3.7	128.4	11.4	172.0
Americare (formerly Civic Health/Rehab)	147	0	17	130	0	0.0	0.0	0.0	0.0	0.0	0.0
Applingwood Healthcare Center	78	0	78	0	0	17.8	0.0	0.0	43.5	11.7	73.0
Ashton Place Health & Rehab Center	211	0	211	0	0	21.8	25.8	0.0	134.5	5.4	187.4
Ave Maria Home	75	0	77	0	0	8.6	0.0	0.0	22.5	36.0	67.1
Baptist Memorial Hospital SNF	35	35	0	0	0	23.4	0.7	4.9	0.0	0.0	28.9
Baptist Skilled Rehab Unit Germantown	18	0	18	0	0	13.5	0.0	1.3	0.0	0.0	14.9
Bright Glade Health & Rehab Center	81	0	81	0	0	14.2	1.0	0.0	43.5	12.2	70.9
Dove Health & Rehab of Collierville	114	0	114	0	0	15.6	6.9	0.0	63.7	11.8	98.0
Grace Healthcare	284	0	284	0	0	17.7	29.8	4.2	130.3	21.1	203.2
Graceland Nursing Center	240	120	0	120	0	14.1	39.6	0.0	148.5	5.6	207.8
Harbor View (Court Manor)	120	0	120	0	0	19.2	0.0	0.0	72.2	8.5	99.9
Kindred Transitional Care (Primacy)	120	120	0	0	0	53.2	0.0	5.6	0.0	29.4	88.2
Kirby Pines Manor	120	30	0	0	90	23.4	0.0	4.0	0.0	89.7	117.0
Memphis Jewish Home	160	0	160	0	0	28.7	0.6	27.7	60.2	0.3	117.6
Methodist Healthcare SNF	44	44	0	0	0	15.2	0.0	3.0	0.0	0.0	18.1
MidSouth Health & Rehab Center	155	0	155	0	0	15.3	5.9	0.0	92.1	21.5	134.8
Millington Healthcare Center	85	19	66	0	0	20.1	1.0	1.0	46.7	10.4	79.2
Poplar Point Health & Rehab (Overton Park)	169	0	54	115	0	24.6	114.0	1.4	0.0	0.0	139.9

Table Twelve-B: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds--By Level of Care
2012 Joint Annual Report

Primary Service Area (Shelby County) Nursing Care Facilities	Licensed Bed Complement					ADC By Level of Care					
	Total Licensed Beds 2012	SNF Medicare Only Beds	SNF/NF Medicare & Medicaid (Dually Certified) Beds	Medicaid Only Beds	Non-Certified Beds	SNF Medicare ADC	SNF Medicaid ADC	SNF Other ADC	Non-Skilled Medicaid ADC	Non-Skilled Other Payor ADC	Total All Beds ADC
Parkway Health & Rehab Center	120	0	120	0	0	24.0	16.6	0.2	66.0	8.5	115.3
Quality Care of Memphis	48	0	48	0	0	0.0	0.0	0.0	33.6	0.7	34.3
Quince Nursing & Rehab Center	188	0	188	0	0	28.2	12.7	4.7	108.0	26.5	180.2
Rainbow Health & Rehab of Memphis	115	0	115	0	0	26.0	4.0	0.0	70.3	8.3	108.6
Signature Healthcare at St. Francis	197	84	113	0	0	51.4	9.2	4.0	76.2	18.1	158.9
Signature Healthcare at St. Peter Villa	180	0	120	60	0	26.1	17.3	9.7	94.6	18.2	165.9
Signature Healthare of Memphis	140	0	140	0	0	24.2	2.2	0.0	100.9	8.2	135.5
Spring Gate Healthcare & Rehab Center	233	0	143	90	0	21.6	19.8	15.4	144.0	14.1	214.9
The Highlands of Memphis Health & Rehab	180	0	180	0	0	21.2	11.8	0.0	106.4	25.4	164.8
The Kings Daughters & Sons Home	108	0	108	0	0	15.6	8.5	2.3	60.2	19.2	105.9
The Village at Germantown	30	30	0	0	0	20.9	0.0	0.0	5.0	0.0	25.9
Whitehaven Community Living Center	92	0	92	0	0	10.8	4.0	0.0	63.0	1.5	79.1
TOTALS	4,171	506	2,982	515	170	649.6	345.3	93.3	1,914.1	493.2	3,495.5

Table Twelve-C: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds--Facilities of 50 or More Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Allen Morgan Health & Rehab Center	104	28,443	29,053	27,178	32,094	12.8%	74.9%	76.5%	71.6%	84.5%
Allenbrooke Nursing & Rehab Center	180	61,566	61,632	62,846	62,784	2.0%	93.7%	93.8%	95.7%	95.6%
Applingwood Healthcare Center	78	25,959	27,076	24,486	26,651	2.7%	91.2%	95.1%	86.0%	93.6%
Ashton Place Health & Rehab Center	211	72,948	72,619	65,464	68,410	-6.2%	94.7%	94.3%	85.0%	88.8%
Ave Maria Home	75	25,917	26,796	25,652	24,507	-5.4%	94.7%	97.9%	93.7%	89.5%
Bright Glade Health & Rehab Center	77	26,264	25,709	25,451	25,867	-1.5%	88.8%	87.0%	86.1%	87.5%
Dove Health & Rehab of Collierville	114	11,038	27,733	34,996	35,754	223.9%	26.5%	66.6%	84.1%	85.9%
Grace Healthcare	240	80,505	86,103	74,167	74,167	-7.9%	77.7%	83.1%	71.5%	71.5%
Graceland Nursing Center	240	83,676	82,117	76,445	75,843	-9.4%	95.5%	93.7%	87.3%	86.6%
Harbor View (Court Manor)	120	24,682	23,637	34,815	36,457	47.7%	69.0%	54.0%	79.5%	83.2%
Kindred Transitional Care (Primacy)	120	40,117	41,826	31,637	32,196	-19.7%	91.6%	95.5%	72.2%	73.5%
Kirby Pines Manor	120	41,741	40,578	42,160	42,722	2.4%	95.3%	92.6%	96.3%	97.5%
Memphis Jewish Home	160	54,271	48,726	44,394	42,920	-20.9%	92.9%	83.4%	76.0%	73.5%
MidSouth Health & Rehab Center	155	52,466	17,147	29,172	49,201	-6.2%	92.7%	30.3%	51.6%	87.0%
Millington Healthcare Center	85	27,186	29,170	28,410	28,917	6.4%	87.6%	94.0%	91.6%	93.2%
Poplar Point Health & Rehab (Overton Park)	169	51,418	53,543	47,604	51,074	-0.7%	83.4%	86.8%	77.2%	82.8%
Parkway Health & Rehab Center	120	42,590	36,359	42,549	42,102	-1.1%	97.2%	83.0%	97.1%	96.1%

Table Twelve-C: The Village at Germantown
Service Area (Shelby County) Utilization of Nursing Home Beds--Facilities of 50 or More Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Quince Nursing & Rehab Center	188	66,004	65,719	66,343	65,776	-0.3%	96.2%	95.8%	96.7%	95.9%
Rainbow Health & Rehab of Memphis	115	30,269	38,767	39,763	39,641	31.0%	74.0%	94.8%	94.7%	94.4%
Signature Healthcare at St. Francis	197	28,965	72,715	62,807	61,821	113.4%	40.3%	101.1%	87.3%	86.0%
Signature Healthcare at St. Peter Villa	180	62,792	56,578	54,445	60,560	-3.6%	95.6%	86.1%	82.9%	92.2%
Signature Healthare of Memphis	140	47,157	49,005	48,440	49,467	4.9%	92.3%	95.9%	94.8%	96.8%
Spring Gate Healthcare & Rehab Center	233	71,473	73,826	78,591	78,439	9.7%	84.0%	86.8%	92.4%	92.2%
The Highlands of Memphis Health & Rehab	180	53,824	53,561	55,265	60,143	11.7%	81.9%	81.5%	84.1%	91.5%
The Kings Daughters & Sons Home	108	38,873	38,768	37,908	38,653	-0.6%	98.6%	98.3%	96.2%	98.1%
TOTALS	**3,709**	**1,150,144**	**1,178,763**	**1,160,988**	**1,206,166**	**4.9%**	**83.9%**	**86.0%**	**84.7%**	**88.0%**

SFCS

October 28, 2013

Ms. Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Village at Germantown
Nursing Home Bed Expansion
Memphis, TN

Dear Ms. Hill:

Per our recent conversations with John Wellborn, an attorney working with Village at Germantown Retirement Community on a Certificate of Need submission, we have prepared the following supporting documentation for your review.

Working with the Village at Germantown team and Flintco Construction, we have reviewed the construction in the CON submission. Based upon our experience and knowledge of the current senior living and nursing home market, it is in our opinion that the projected costs of $3,427,555 appears to be reasonable for a project of this type and size.

Additionally, please note that the Project will be designed in compliance with all applicable State and Federal Codes and Regulations, including the following:

- Guidelines for the Design and Construction of Health Care Facilities
- Rules of the Tennessee Department of Health Board for Licensing Health Care Facilities
- International Building Code
- National Electrical Code
- National Fire Protection Association (NFPA)
- Americans with Disabilities Act (ADA)

If you have any questions or comments regarding this information, please do not hesitate to contact our office at your convenience.

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Roanoke

Sincerely,

Timothy J. Mueller, AIA
President/Director of Seniors Design

M. Scott Rasner, AIA, NCARB
Senior Vice President
Tennessee Professional Architect
License #00104297

10. Section C, Need, Item 6

Your response to this item is noted. Please complete the following chart.

Applicant Facility-Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	SNF Other ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
*Year 1	48.75	48.75	20.30	19.00	0	39.30	80.62%
*Year 2	50.00	50.00	22.50	22.20	0	44.70	89.40%

*See question relating to Development Schedule

The above response is an exact calculation by SNF management based on phased opening of the beds for occupancy. Again, Year One is CY2016 because all 50 beds will be licensed by August 2015--although 30 of those will be older beds (Wing A) that will then be renovated in two stages, always holding 15 of them open for occupancy.

11. Section C, Economic Feasibility, Item 1

It appears that the architect's letter for the Crestwyn Health Group was inadvertently submitted. Please submit an architect's letter specific to the Village at Germantown application.

Please excuse the error. The appropriate architect's letter is attached following this page.

12. Section C, Economic Feasibility, Item 4. (Projected Data Chart)

a. Your response to this item is noted. Please submit a Projected Data Chart for the proposal only.

It is attached after this page, following the Architect's Cost Attestation letter.

b. Please explain why there is no Retirement of Principal in CY2016.

The tax-exempt bonds funding this and related projects will be issued in FY2014. The first three full years of from the date of bond issuance require payment of only interest, not principal.

c. Please explain how the amount of $29,959 for Management Fees was determined.

The total CCRC management fee was allocated in proportion to the number of occupied nursing units as a percent of total occupied units. The calculation was 45 units / 284 units = 15.85%. The projected total management fee is $189,016. $189,016 X 15.85% = $29,959 allocation to this project.

d. Based on the information in the Development Schedule, the project will not be fully completed (all 50 SNF beds in operation) until January 1, 2017. If that is the case the Projected Data Charts should reflect Years 2017 and 2018.

As discussed with HSDA staff and described above in this letter, the 20 new SNF beds that are the subject of this application will be licensed by August 2015, which is why 2016 is projected as Year One. During late 2015 and early 2016, The Village will continue to renovate thirty of its older beds in two stages of 15 beds each, so that 35 beds will always be available for occupancy. The renovation of existing beds will end in January of 2016.

13. Section C, Economic Feasibility, Item 9
What will be the payor mix for the remaining 42.5% of gross revenue?

The percent of Medicare revenues on page 47 of the application was incorrect. Attached is revised page 47R, indicating that Medicare will be 75.86% of gross revenues in Year One. In addition, the table on page 10 of this letter identifies gross revenue sources and percentages for 2016.

Operating Revenues	FY 2016	Percent
Medicare A	$4,237,191	68.30%
Medicare B	468,787	7.56%
Private	1,460,456	23.54%
Miscellaneous Income	37,371	0.60%
Gross Operating Revenues	$6,203,806	100.00%

Note: Physicians at The Village SNF are on contract; and the facility bills Medicare for their Part B services to the SNF patients.

14. Section C, Orderly Development, Item 10

a. Regarding project financial feasibility, please discuss the Unrestricted Net Deficits $16,768,907 and $21,191,722 reported respectively in the audited Balance Sheets for 2011 and 2012.

The Village at Germantown is a continuing care retirement center (CCRC). As such, a resident who moves into an independent living unit is required to pay an entrance fee. Each entrance fee is 90% refundable upon death or withdrawal.

The GAAP treatment of the entrance fee restricts the Village from recognizing 100% of the entrance fee paid as revenue in the year of receipt. As indicated on the balance sheet in the FY 2012 audit, deferred revenue from entrance fees for 2012 and 2011 was $45,667,251 and $43,542,101, respectively. These amounts represent the amount of entrance fee receipts the Village has received, but not taken into revenues. The amount of the deferred revenue from entrance fees more than offsets the unrestricted net deficits.

b. Utilizing the most recent audited financial statements of the Village at Germantown, please provide the debt service coverage ratio and the ratio of long term debt as a percent of total capital.

The table below indicates the debt service coverage ratio for 2012 and 2011. The Debt-To-Capital Ratio for each of 2012 and 2011 is 52%.

Calculation Of Long-term Debt Service Coverage Ratio

	12/31/2012	12/31/2011
Operating Loss	($1,623,746)	($517,417)
Less:		
Amortization of Deferred Entrance Fees	(1,841,366)	(2,832,498)
Add:		
Depreciation and Amortization	3,212,743	3,206,158
Interest Expense	2,444,672	2,515,333
Entrance Fees on a Cash Basis, Net of Refunds Actually Paid	1,792,076	3,295,793
Net Revenues Available for Debt Service	$3,984,379	$5,667,369
Maximum Annual Debt Service	$2,790,631	$3,120,000
Debt Service Coverage Ratio	1.43	1.82
Required Debt Service Coverage Ratio	1.20	1.20

15. Section C, Orderly Development, Item 3

a. The applicant is only increasing staffing between current staffing and Year Two staffing of approximately 25% while skilled beds are being increased by 67%. Even though the staffing growth is mainly in nursing, has the applicant planned for enough additional staff for the 50 bed facility?

Yes. Many of the positions being added are only those associated with providing direct patient care. Additionally, increasing the number of beds from 30 to 50 will provide staffing efficiencies from inherent economies of scale.

b. Does the applicant plan to hire or contract therapy personnel, i.e., physical therapy, occupational therapy, and speech therapy? If yes, where is this accounted for in the Projected Data Chart?

All therapy services will be contracted. Revenues from therapy services are reflected in outpatient services and expenses listed as Medicare B under other expenses.

c. Please explain how the physician salaries and wages will be utilized.

All physicians who work in the SNF are on contract to The Village and are paid a negotiated monthly amount by the Village for patient care services. They are at the unit on Monday, Wednesday, and Friday each week, and also come to perform Quality Assurance committee work. One is also a Medical Director. The Village bills insurors (including Medicare) for eligible reimbursement for the medical care provided by the physicians.

16. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Attached at the end of this response.

17. Development Schedule.

a. Please explain how the licensed bed complement will be 60 beds on August 15, 2015.

Please see 17b below.

b. According to the Development Schedule, it appears that all licensed SNF beds will not be in operation until January 1, 2017. If that is the case, then projected utilization and Projected Data Charts should be based on a Year 1 of 2017 and Year 2 of 2018.

The schedule submitted was incorrect. Attached following this page is page 55R, a revised Project Completion schedule, for the campus building project that includes this nursing home expansion. Please see the responses to questions #8, 9, 10, and 12 above, which explain why Year One for the nursing home component is 2016. The additional 20 beds will be open for occupancy in August of 2015. That is when the licensed complement will be increased to 50 beds. Later in 2015 and early 2016, renovation will occur in the 30 Wing A beds.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

The Commercial Appeal
Affidavit of Publication

STATE OF TENNESSEE
COUNTY OF SHELBY

Personally appeared before me Patrick Maddox, a Notary Public, Ramona Hale, of MEMPHIS PUBLISHING COMPANY, a corporation, publishers of The Commercial Appeal, morning and Sunday paper, published in Memphis, Tennessee, who makes oath in due form of law, that he is Legal Clerk of the said Memphis Publishing Company, and that the accompanying and hereto attached notice was published in the following edition of The Commercial Appeal to-wit:

October 10, 2013

Ramona Hale

Subscribed and sworn to before me this 11th day of October, 2013

Notary Public

My commission expires 2/15/16

PATRICK MADDOX
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY
My Commission Expires 02/15/2016

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties in accordance with TCA Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Village at Germantown (a nursing home) owned by The Village at Germantown, Inc. (a non-profit corporation) and managed by CRSA/LCS Management, LLC (a limited liability company), intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare certified skilled nursing facility (SNF) beds to its existing SNF facility at 7930 Walkup Horse Circle, Germantown, TN 38138. This facility is on the enclosed campus of a Continuing Care Retirement Community for senior adults (also named The Village at Germantown) that provides its residents with independent living units, assisted living beds, and skilled nursing services that include rehabilitation therapies. The capital cost is estimated to be $9,700,000. The facility is currently licensed by the Board for Licensing Health Care Facilities as a nursing home with a total bed complement of thirty (30) Medicare certified SNF beds; this project will increase its licensed complement to fifty (50) Medicare certified SNF beds.

The project does not contain major medical equipment or initiate or discontinue any significant health service, and it will not affect any other facility's licensed bed complements. The anticipated date of filing the application is on or before October 16, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215, (615) 665-2022.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to the following address effective October 11, 2013:

Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
500 Deaderick Street
Nashville, TN 37243

Pursuant to TCA Sec. 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled, and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency prior to the consideration of the application by the Agency.

SUPPLEMENTAL- # 1
OCTOBER 28
1:24pm

OCT 28 2013 1:24

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

THE VILLAGE AT GERMANTOWN - SNF

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28 day of October, 2013, witness my hand at office in the County of DAVIDSON, State of Tennessee.

NOTARY PUBLIC

My commission expires 1-11, 17.

TIFFANY B. POULOS
NOTARY PUBLIC
STATE OF TENNESSEE
DAVIDSON COUNTY

HF-0043

Revised 7/02

COPY-

SUPPLEMENTAL-2

The Village at Germantown SNF

CN1310-039

DSG Development Support Group

SUPPLEMENTAL- # 2
OCTOBER 30
11:37am

October 29, 2013

Mark Farber, Assistant Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
Fifth Avenue at Demonbreun Street
Nashville, Tennessee 37203

RE: CON Application CN1310-039
The Village at Germantown SNF

Dear Mr. Farber:

This letter responds to your second request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. Section B, Project Description, Item B.II.A

The construction cost on the square Footage and Cost Per Square Footage Chart is $3,427,555. The construction cost in the Project Costs Chart is $3,427,635. Please address this discrepancy.

The Project Cost Chart is correct. The $80 variance in the Cost PSF chart is only two thousandths of one percent different. The variance results from using the architect's cost PSF data that was rounded to the nearest penny, when entering costs PSF for new and renovated construction on the Cost PSF chart. Subtotals of that data were provided in Table Five of the application. Attached following this page is revised page 10R with all the architect's cost PSF data showing. The rounded figures were used in the cost PSF chart. The inevitable result was the slight $80 discrepancy.

2. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) A. Need 1.

On page 19R the Ned Need calculation needs to be corrected to read as "Net Need = 5,045 – 4124 = 921 additional nursing home beds"

Attached following this page is a revised page "19R--second supplemental" making that correction.

4219 Hillsboro Road, Suite 203
Nashville, TN 37215
jwdsg@comcast.net
Tel 615.665.2022
Fax 615.665.2042

3. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) B. Occupancy and Size Standards 2.

According to your utilization chart it appears there are 6 nursing homes in excess of 50 beds that attained the 95% occupancy standard (Kings Daughters and Sons Home-98.1%). Please make the correction to your response.

Revised Table Twelve-C with the sixth facility shaded is attached following this page; it is titled "Twelve-C with Shading Correction". It shows the most recently reported average annual occupancy of Shelby County nursing homes licensed for 50 or more beds. Those 25 facilities reported an average occupancy of 88%; six of them reported an occupancy exceeding 95%.

4. Section C, Need, Item 1.a. (Service Specific Criteria (Nursing Home Services) B. Occupancy and Size Standards 4.

Your response to this item is noted but is still incorrect. The Guideline should state that "A free-standing nursing home shall have a capacity of at least 30 beds....."

Please make the appropriate corrections to your Page 21R.

Attached after this page is a second supplemental revision of page 21R with the Guideline corrected as requested and the response amended accordingly.

5. Section C, Economic Feasibility, Item 9

Your response to this item is noted. You have indicated that Medicare accounts for 75.86% of gross revenue yet you have indicated that in Year 2 average daily census will be split evenly between Medicare ADC and Other SNF ADC. Is the 75.86% figure correct?

That is correct. It included not only Part A skilled care reimbursement, but also Part B physician reimbursement, which comes to the facility by virtue of its employment of physicians. So the Medicare percent of gross revenue overall will always exceed the Medicare percent of admissions.

But a more important reason is that the Medicare rate is approximately twice the private pay rate, because older persons require so much more complex care. And the CCRC gives free care days up to 10 days per year to all residents who need short-term care there. So with a hypothetical 50/50 Medicare/non-Medicare census, the gross charges to Medicare will be far more than to non-Medicare payors--roughly speaking, 2/3 or more of billed charges will be Medicare.

Table Twelve-C: The Village at Germantown (Second Supplemental Shading Correction)
Service Area (Shelby County) Utilization of Nursing Home Beds--Facilities of 50 or More Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Allen Morgan Health & Rehab Center	104	28,443	29,053	27,178	32,094	12.8%	74.9%	76.5%	71.6%	84.5%
Allenbrooke Nursing & Rehab Center	180	61,566	61,632	62,846	62,784	2.0%	93.7%	93.8%	95.7%	95.6%
Applingwood Healthcare Center	78	25,959	27,076	24,486	26,651	2.7%	91.2%	95.1%	86.0%	93.6%
Ashton Place Health & Rehab Center	211	72,948	72,619	65,464	68,410	-6.2%	94.7%	94.3%	85.0%	88.8%
Ave Maria Home	75	25,917	26,796	25,652	24,507	-5.4%	94.7%	97.9%	93.7%	89.5%
Bright Glade Health & Rehab Center	77	26,264	25,709	25,451	25,867	-1.5%	88.8%	87.0%	86.1%	87.5%
Dove Health & Rehab of Collierville	114	11,038	27,733	34,996	35,754	223.9%	26.5%	66.6%	84.1%	85.9%
Grace Healthcare	240	80,505	86,103	74,167	74,167	-7.9%	77.7%	83.1%	71.5%	71.5%
Graceland Nursing Center	240	83,676	82,117	76,445	75,843	-9.4%	95.5%	93.7%	87.3%	86.6%
Harbor View (Court Manor)	120	24,682	23,637	34,815	36,457	47.7%	69.0%	54.0%	79.5%	83.2%
Kindred Transitional Care (Primacy)	120	40,117	41,826	31,637	32,196	-19.7%	91.6%	95.5%	72.2%	73.5%
Kirby Pines Manor	120	41,741	40,578	42,160	42,722	2.4%	95.3%	92.6%	96.3%	97.5%
Memphis Jewish Home	160	54,271	48,726	44,394	42,920	-20.9%	92.9%	83.4%	76.0%	73.5%
MidSouth Health & Rehab Center	155	52,466	17,147	29,172	49,201	-6.2%	92.7%	30.3%	51.6%	87.0%
Millington Healthcare Center	85	27,186	29,170	28,410	28,917	6.4%	87.6%	94.0%	91.6%	93.2%
Poplar Point Health & Rehab (Overton Park)	169	51,418	53,543	47,604	51,074	-0.7%	83.4%	86.8%	77.2%	82.8%
Parkway Health & Rehab Center	120	42,590	36,359	42,549	42,102	-1.1%	97.2%	83.0%	97.1%	96.1%

Table Twelve-C: The Village at Germantown (Second Supplemental Shading Correction)
Service Area (Shelby County) Utilization of Nursing Home Beds--Facilities of 50 or More Beds
2009-2013

Primary Service Area (Shelby County) Nursing Care Facilities	Current Total Licensed Beds 2013	Patient Days					Occupancies on Licensed Beds			
		2009 Patient Days	2010 Patient Days	2011 Patient Days	2012 Patient Days	2009-2012 Percent Change	2009 Percent Occupancy	2010 Percent Occupancy	2011 Percent Occupancy	2012 Percent Occupancy
Quince Nursing & Rehab Center	188	66,004	65,719	66,343	65,776	-0.3%	96.2%	95.8%	96.7%	95.9%
Rainbow Health & Rehab of Memphis	115	30,269	38,767	39,763	39,641	31.0%	74.0%	94.8%	94.7%	94.4%
Signature Healthcare at St. Francis	197	28,965	72,715	62,807	61,821	113.4%	40.3%	101.1%	87.3%	86.0%
Signature Healthcare at St. Peter Villa	180	62,792	56,578	54,445	60,560	-3.6%	95.6%	86.1%	82.9%	92.2%
Signature Healthare of Memphis	140	47,157	49,005	48,440	49,467	4.9%	92.3%	95.9%	94.8%	96.8%
Spring Gate Healthcare & Rehab Center	233	71,473	73,826	78,591	78,439	9.7%	84.0%	86.8%	92.4%	92.2%
The Highlands of Memphis Health & Rehab	180	53,824	53,561	55,265	60,143	11.7%	81.9%	81.5%	84.1%	91.5%
The Kings Daughters & Sons Home	108	38,873	38,768	37,908	38,653	-0.6%	98.6%	98.3%	96.2%	98.1%
TOTALS	3,709	1,150,144	1,178,763	1,160,988	1,206,166	4.9%	83.9%	86.0%	84.7%	88.0%

Additional Item from the Applicant

Attached at the end of this letter is a copy of the deed to the property, to supplement the Deed of Trust that was submitted originally.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn
Consultant

OCT 30 '13 AM11:40

SUPPLEMENTAL- # 2
OCTOBER 30
11:37am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

THE VILLAGE AT GERMANTOWN SNF

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of October, 2013, witness my hand at office in the County of DAVIDSON, State of Tennessee.

NOTARY PUBLIC

My commission expires 1-11, 17.

TIFFANY B. POULOSE
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

HF-0043

Revised 7/02

TRAUGER & TUKE
ATTORNEYS AT LAW
THE SOUTHERN TURF BUILDING
222 FOURTH AVENUE NORTH
NASHVILLE, TENNESSEE 37219-2117
TELEPHONE (615) 256-8585
TELECOPIER (615) 256-7444

January 9, 2014

VIA HAND DELIVERY

Ms. Melanie Hill
Executive Director
Tennessee Health Services
and Development Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37243

RE: The Village at Germantown
Letter of Support CN1310-039

Dear Ms. Hill:

Enclosed please find a letter of support to be filed on behalf our client, The Village at Germantown. Included in this packet is the original letter from The Honorable A. C. Wharton, Mayor of Memphis, Tennessee and one copy to be date stamped and returned to me.

Thank you for your assistance.

Very truly yours,

Paul W. Ambrosius

PWA/kmn

Enclosures

City of Memphis

TENNESSEE

A C WHARTON, JR.
MAYOR

January 8, 2014

Health Services and Development Agency
Frost Building, 3rd floor
161 Rosa L. Parks Boulevard
Nashville TN 37243

To Whom It May Concern:

I am writing this letter in support of the CON request for The Village at Germantown's 20 bed expansion of their Skilled Nursing Facility. As Mayor of the City of Memphis, I have had the opportunity to work with The Village at Germantown and recognize what a State of the Art Health Care facility with a strong rehab program can do for one.

Currently with the license of only 30 beds that service their Retirement community of Independent Senior Citizens, as well, the availability of Skilled Nursing beds is quite limited for the Germantown, Collierville and Cordova area. The expectations of those with the need for rehabilitation after hospitalization are much higher now days and The Village at Germantown has been a leader in those services for the Southeast Shelby County area.

Sincerely,

A C Wharton, Jr.
Memphis

ACW/lar

OCT 9 '13 AM 10:29

LETTER OF INTENT HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before October 10, 2013, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that The Village at Germantown (a nursing home), owned by The Village at Germantown, Inc. (a non-profit corporation), and managed by CRSA/LCS Management, LLC (a limited liability company), intends to file an application for a Certificate of Need for the addition of twenty (20) Medicare-certified skilled nursing facility (SNF) beds to its existing SNF facility at 7930 Walking Horse Circle, Germantown, TN 38138. This facility is on the enclosed campus of a Continuing Care Retirement Community for senior adults (also named The Village at Germantown) that provides its residents with independent living units, assisted living beds, and skilled nursing services that include rehabilitation therapies. The capital cost is estimated to be $5,700,000. The facility is currently licensed by the Board for Licensing Health Care Facilities as a nursing home with a total bed complement of thirty (30) Medicare-certified SNF beds; this project will increase its licensed complement to fifty (50) Medicare-certified SNF beds.

The project does not contain major medical equipment or initiate or discontinue any significant health service; and it will not affect any other facility's licensed bed complements.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John Wellborn 10-7-13 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
OFFICE OF HEALTH STATISTICS
615-741-1954

DATE: December 31, 2013

APPLICANT: The Village at Germantown SNF
7930 Walking Horse Circle
Germantown, Tennessee 38138

CON#: CN13110-039

CONTACT PERSON: John Wellborn
Development Support Group
4219 Hillsboro Road, Suite 210
Nashville, Tennessee 37215

COST: $5,654,232

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment reviewed this certificate of need application for financial impact, TennCare participation, compliance with the *Tennessee State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
The applicant, The Village of Germantown, a skilled care nursing facility (SNF), owned by the Village at Germantown, Inc. (a non-profit corporation), and managed by CRSA/LCS Management, LLC, is filing this Certificate of Need (CON) application for the addition of twenty (20) Medicare only SNF beds to its existing thirty (30) bed Medicare only SNF located at 7930 Walking Horse Circle in Germantown (Shelby County), Tennessee 38138. The Village of Germantown is on the enclosed campus of a continuing care retirement community for senior adults that provides its residents with independent living units, assisted living units, skilled nursing services and rehabilitation services.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the *Tennessee State Health Plan*.

NEED:
The applicant's designated service area is Shelby County. The 2013 population of Shelby County is estimated to be 940,972, according to the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, *2013 Tennessee Population Series for 2010-2020*. Shelby County is estimated to have a population of 946,559 in 2015 according to the same source.

The estimated gross nursing home bed need, as calculated by the Office of Health Statistics will be 5,045 beds in 2015. The Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care Facilities, documents on its website, as of 11/18/2013, that Shelby County has 31 currently licensed nursing home facilities with 3,976 nursing home beds. The applicant, and the Tennessee Department of Health, Division of Health, Licensure and Regulation-

Office of Health Care Facilities verified that three (3) nursing home facilities were not counted in the current inventory of beds maintained by the Tennessee Department of Health. They are as follows:

1. CN0908-045A-Christian Care Center of Memphis a 90 bed facility;
2. CN1303-008A The Farms at Bailey Station 30 new SNF beds; and
3. CN1202-011A-Collins Chapel Health and Rehabilitation Center 28 new SNF beds.

The addition of these 148 nursing home beds to the current inventory of 3,976 beds results in a total of 4,124 beds located in Shelby County. Subtracting the total 4,124 beds from the 5,045 bed need, as calculated by the Office of Health Statistics, results in the same 921 net bed need for Shelby County, as the applicant calculated.

The following chart illustrates the nursing home utilization in Shelby County.

Shelby County Nursing Home Utilization 2011 Final

Nursing Home	Licensed Beds	SNF Beds-Medicare	SNF/NF Beds-Dually Certified	NF Beds-Medicaid	Licensed Only Non Certified	NF-ADC (Medicaid/ Level I Only)	SNF Medicare Level II ADC	NF-ADC	Licensed Occupancy
Allen Morgan Health and Rehabilitation Center	104	24	0	0	80	12	0	62	71.6%
Allenbrooke Nursing and Rehabilitation Center, LLC	180	0	180	0	0	16	132	140	95.7%
Applingwood Health Care Center	78	0	78	0	0	16	0	51	86.0%
Ashton Place Health and Rehab Center	211	0	211	0	0	19	11	131	85.0%
Ave Maria Home	75	0	75	0	0	4	0	66	93.7%
Baptist Memorial Hospital - Memphis Skilled Nursing Facility	35	35	0	0	0	25	0	0	82.9%
Baptist Skilled Rehabilitation Unit - Germantown	18	0	18	0	0	13	0	0	78.0%
Bright Glade Health and Rehabilitation	81	0	81	0	0	16	52	52	86.1%
Civic Health and Rehabilitation Center	147	0	17	130	0	4	102	107	97.3%
Dove Health & Rehab of Collierville, LLC	114	0	114	0	0	19	0	72	84.1%
Grace Healthcare of Cordova	284	0	284	0	0	18	130	151	71.5%
Graceland Nursing Center	240	120	0	120	0	16	80	146	87.3%
Harbor View Nursing and Rehabilitation Center, Inc.	120	0	120	0	0	24	62	72	79.5%
Highlands of Memphis Health & Rehab	180	0	180	0	0	26	0	118	84.1%
Kindred Transitional Care and Rehabilitation Center-Primacy	120	120	0	0	0	56	0	28	72.2%
Kirby Pines Manor	120	30	0	0	90	19	0	89	96.3%
Memphis Jewish Home	160	0	160	0	0	34	60	77	76.0%
Methodist Healthcare Skilled Nursing Facility	44	44	0	0	0	11	0	0	33.4%
MidSouth Health and Rehabilitation Center	155	0	155	0	0	16	58	65	51.6%
Millington Healthcare Center	85	19	66	0	0	17	42	58	91.6%
Parkway Health and Rehabilitation Center	120	0	120	0	0	15	64	76	97.1%

Poplar Point Health and Rehabilitation	169	0	54	115	0	13	0	101	77.2%
Quality Care Center of Memphis	48	0	48	0	0	1	0	33	69.9%
Quince Nursing and Rehabilitation Center	188	0	188	0	0	28	118	138	96.7%
Rainbow Health & Rehab of Memphis, LLC	115	0	115	0	0	23	0	78	94.7%
Signature HealthCare at St. Francis	197	0	197	0	0	54	0	92	87.3%
Signature Healthcare at St. Peter Villa	180	0	120	60	0	20	0	102	82.9%
Signature Healthcare of Memphis	140	0	140	0	0	24	0	100	94.8%
Spring Gate Nursing and Rehabilitation Center	231	0	143	0	88	27	138	156	93.2%
The King's Daughters and Sons Home	108	0	108	0	0	16	0	77	96.2%
The Village at Germantown	30	30	0	0	0	23	0	0	85.6%
Whitehaven Community Living Center	92	0	92	0	0	11	0	68	90.1%
Total	**4169**	**422**	**3064**	**425**	**258**	**636**	**1049**	**2506**	**84.5%**

Source: *Joint Annual Report of Nursing Homes 2011 (Final),* Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

Legend

Licensed Beds-These are the Total Beds in a nursing home licensed by the Department of Health.

SNF Beds-These include all Medicare Skilled Nursing Beds or TennCare Level II beds where the payor source is either Medicare or Medicaid.

SNF/NF Beds, Dually Certified- These include Medicare Skilled Nursing or TennCare/Level II and TennCare/Level I beds where the payor source is either Medicare or Medicaid.

NF Beds-These are TennCare/Level I beds where the payor source is Medicaid.

Licensed Only Beds-These are Non Certified-Skilled Nursing and Intermediate Care beds, where the payor source is private pay.

SNF Medicare/Level II ADC-This represents the Average Daily Census for skilled patients whose payor source is Medicare. Average Daily Census is calculated by taking Medicare skilled patient days and dividing it by the number of days in a year (365) resulting in an average daily census.

NF-ADC-This is the Average Daily Census for Level I/Intermediate Care patients.

Licensed Occupancy-This is the occupancy rate for the total nursing home facility. The Occupancy Rate is calculated by taking total patient days and dividing it by the number of bed days available in a year.

Source: The definitions and presentation are done in accordance with Health Services and Development Agency Members and Staff requirements, October 2006.

Chart Summary

In Shelby County, there are 4,169 licensed nursing home beds, of which 422 are SNF Medicare beds, 3,064 are SNF/NF dually certified beds, 425 are NF Medicaid beds, and 258 are licensed only

non-certified beds. The non-skilled NF Medicaid/Level I average daily census is 636, the SNF Medicare/Level II Medicaid average daily census is 1,049 and the NF average daily census is 2,506. The average facility occupancy for all Shelby County nursing facilities is 84.5% according to the *Joint Annual Report of Nursing Homes 2011 (Final)* as reported by Shelby County nursing homes.

Note to Agency Members: Of interest, one possible explanation for the occupancy of intermediate care patients in beds certified for skilled care is the legal precedent established in the Linton Ruling, a Tennessee lawsuit settled in 1990. HSDA deputy legal counsel provides a summary of the Linton Ruling as follows: "Mildred Lea Linton, a nursing home resident, represented a class of plaintiffs who alleged that Tennessee's nursing home bed certification policy, in which fewer than all beds within a particular wing or floor could be available for Medicaid recipients, violated the Medicaid Act. Ms. Linton's nursing home apportioned only 40 of its 87 intermediate care facility beds as Medicaid beds. When Medicaid officials reduced Ms. Linton's care eligibility from skilled to intermediate, Ms. Linton's nursing home informed her that it was decertifying her Medicaid bed and would not likely have available any Medicaid beds. The District Court found that Tennessee's "limited bed policy" violated the Medicaid Act, and the state was instructed to submit a remedial plan, which, among other provisions, required Medicaid providers to certify all available, licensed nursing home beds within their facilities and to admit residents on a first-come, first-serve basis."

The applicant intends to add 20 additional Medicare SNF beds to its existing 30 bed Medicare SNF unit. This project will result in a total of 50 Medicare SNF beds at the current site. The applicant notes it will not be possible to add more nursing home beds at this site.

The applicant based their decision to increase the size of their Medicare SNF facility due to the increased demand for Medicare SNF beds for residents of their Continuing Care Retirement Community (CCRC). The applicant explained the majority of residents of these SNF beds will be filled by CCRC residents and its impact on other nursing homes will be minimal due to this factor.

TENNCARE/MEDICARE ACCESS:
The applicant is currently certified by and will continue to participate in Medicare. The applicant states based on the *Joint Annual Report of Nursing Homes 2012 (Provisional)* that the current 30 bed Medicare SNF's occupancy rate in 2012 was 86.4%. The occupancy rates from 2009 to 2011 based upon the *Joint Annual Report of Nursing Homes 2009 to 2011 (Final)* prepared by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics and the applicant's use of the data from the *Joint Annual Report of Nursing Homes 2012 (Provisional)* reveals the 2009-2012 occupancy rate for the 30 bed Medicare SNF unit went from 91.4% to 86.4% during this period, a decline of 5.5%. The applicant notes that its designation as a Continuing Care Retirement Community (CCRC) requires that the 30 bed Medicare SNF unit assure access to residents from the assisted living and independent living facilities as part of their contractual relationship with these residents and this fact accounts for the slightly lower occupancy rates during this time period.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located in the application on page 35. The total project cost is $5,654,232.

Historical Data Chart: The Historical Data Chart can be found on page 39 in the CON application. The historical data documents an increase in the number of admissions during

the period 2010-2012 which went from 125 admissions in 2010 to 147 admissions in 2011 and finally 159 admissions in 2012. The net annual operating income less capital expenditures during this period went from $257,108 to $161,664 and finally $65,111 in 2012.

Projected Data Chart: The Projected Data Chart is located in the application on page 41. The applicant projects during 2016 it will have 186 admissions and 225 admissions in 2017 with 12,992 and 15,742 patient days in years one and two, respectively. The total net operating revenue in year one is projected to be ($454,342) and $26,059 in year two of the project.

The applicant's average gross Medicare charge in year one is projected to be $478, with an average deduction of $57, resulting in an average net charge of $421. In year two, the average Medicare gross charge is projected to be $469, with an average deduction of $52, resulting in an average net charge of $416.

The building of more than 20 beds was also considered but rejected because the existing building cannot be expanded due to lack of space for any additional beds.

On page 48 of the application the applicant comments that maintaining the current 30 bed Medicare SNF was rejected because its beds are at their maximum limits, the current residents are aging in place and can be expected to require more skilled services, and 37 new residents are expected to enter the CCRC in the next several years putting additional demands on the current facility. Therefore, the addition of 20 Medicare SNF beds is the only prudent alternative.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The Village of Germantown has emergency transfer agreements between Methodist Hospital Germantown and Baptist Memorial Hospital, as per its representations on page 49 of the application.

The applicant believes the addition of 20 Medicare beds to its existing 30 bed Medicare SNF will not negatively impact other nursing home facilities. The applicant states The Village of Germantown will have as its primary mission the provision of Medicare skilled nursing services and skilled private pay services to serve the residents of the CCRC. While it does admit patients from the community, the 20 additional beds do not appear to pose a competitive threat to the existing nursing homes in Shelby County since the service area is limited in scope.

The projected staffing pattern for this project in year one includes an increase of 7.64 total FTEs and in year two of the project includes a further increase of 3.51 FTEs for a total of 11.15 FTEs over the course of this project.

The Village of Germantown is licensed by the Tennessee Department of Health, Division of Health, Licensure and Regulation and was last surveyed on 1/18/2013 resulting in four (4) deficiencies for this nursing home. The average number of health deficiencies for Tennessee nursing homes was 6.5. Using the medicare.gov/NursingHomeCompare.html website the overall rating was above average (which is 4 on a 5 point scale) and this was reflected in the above average ratings for health inspections, staffing levels and quality measures for The Village at Germantown.

The most recent licensure and certification survey also reveals the total number of licensed nurse staff totals 2 hours and 59 minutes compared to the state average of 1 hour and 44 minutes and the national average of 1 hour and 38 minutes. The survey report additionally cites the fact the facility provides 3 hours and 24 minutes of Certified Nursing Assistant services to each resident per day, again in excess of the state average of 2 hours and 16 minutes, and exceeds the national average which is only 2 hours and 28 minutes. Another point noted in the

medicare.gov/NursingHomeCompare website is the fact The Village at Germantown provides 26 minutes of physical therapy staff hours per resident per day while the state and national average is only 6 minutes per resident per day.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the *Tennessee State Health Plan.*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   This project requests CON approval for a 20 bed expansion of the current 30 bed Medicare skilled nursing facility which would result in a 50 bed Medicare SNF.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

      This criterion is not applicable. This project is for the renovation/expansion of an existing 30 bed Medicare SNF resulting in the addition of 20 new Medicare SNF beds at the current site.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      This criterion is not applicable to this project. This project does not involve the relocation or replacement of the existing Medicare SNF at The Village at Germantown.

2. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

      The increasing demands placed on the current facility and the possible addition of 37 new CCRC residents will place the current facility in the possible situation of having to turn away its own residents from the CCRC. Therefore, the expansion is the only viable option left open to the applicant. The existing 30 bed unit will be renovated in stages ensuring at least 35 Medicare SNF beds will be available until the renovation is complete.

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

      The facility is projected to open in August, 2015. The applicant notes on page 13 of Supplemental #1 that it will begin the renovation of the nursing home's existing beds at that time. The increasing demands placed on the current facility and the addition of 37 new CCRC residents will place the current facility in the situation of having to turn away its own residents from the CCRC. Therefore the expansion is the only viable option left

open to the applicant. The existing 30 bed unit will be renovated in stages ensuring at least 35 Medicare SNF beds will be available until the renovation is complete.

NURSING HOME SERVICES

Public Chapter No. 1112, Senate Bill No. 2463, which passed during the 1998 legislative session, amended and changed the code sections establishing the bed need formula that the Health Facilities Commission must follow when granting certificates of need for nursing home beds in Tennessee. During a fiscal year (July 1-June 30), the Commission shall issue no more than the designated number of Medicare skilled nursing facility beds for applicants filing for a certificate of need. The number of Medicare skilled nursing facility beds issued shall not exceed the allocated number of beds for each applicant. The applicant must also specify in the application the skilled services to be provided and how the applicant intends to provide such services.

A. Need

1. According to TCA 68-11-108, the need for nursing home beds shall be determined by applying the following population-based statistical methodology:

   County bed need = .0005 x pop. 65 and under, plus
   .0120 x pop. 65-74, plus
   .0600 x pop. 75-84, plus
   .1500 x pop. 85, plus

   The Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics calculated a need for 5,045 beds in Shelby County based on the formula set forth in TCA 68-11-108. The applicant used the same formula and its calculation resulted in a need for 5,045 nursing home beds in Shelby County.

2. The need for nursing home beds shall be projected two years into the future from the current year, as calculated by the Department of Health.

   The Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics calculated a need for 5,045 beds based on the formula set forth in TCA 68-11-108.

3. The source of the current supply and utilization of licensed and CON approved nursing home beds shall be the inventory of nursing home beds maintained by the Department of Health.
   The current supply and utilization is from the Joint Annual Report of Nursing Homes 2011 (Final). This report of the inventory and utilization reveals the estimated gross nursing home bed need, as calculated by the Office of Health Statistics will be 5,045 beds in 2015. The Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care Facilities, documents on its website, as of 11/18/2013, that Shelby County has 31 currently licensed nursing home facilities with 3,976 nursing home beds. The applicant, and the Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care Facilities verified that three (3) nursing home facilities were not counted in the current inventory of beds maintained by the Tennessee Department of Health. They are as follows:

   1. CN0908-045A-Christian Care Center of Memphis a 90 bed facility;
   2. CN1303-008A The Farms at Bailey Station 30 new SNF beds; and
   3. CN1202-011A-Collins Chapel Health and Rehabilitation Center 28 SNF beds.

The addition of these 148 nursing home beds to the current inventory of 3,976 beds

results in a total of 4,124 beds located in Shelby County. Subtracting the total 4,124 beds from the 5,045 bed need, as calculated by the Office of Health Statistics, results in the same 921 net bed need for Shelby County, as the applicant calculated.

4. "Service Area" shall mean the county or counties represented on an application as the reasonable area to which a health care institution intends to provide services and/or in which the majority of its service recipients reside. A majority of the population of a service area for any nursing home should reside within 30 minutes travel time from that facility.

   The majority of the population in the service area is within 30 minutes travel time of the proposed facility.

5. The Health Facilities Commission may consider approving new nursing home beds in excess of the need standard for a service area, but the following criteria must be considered:

   a. All outstanding CON projects in the proposed service area resulting in a net increase in beds are licensed and in operation, and

      These criteria do not apply to this project because Shelby County has a need for 921 additional Medicare SNF beds as calculated by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

   b. All nursing homes that serve the same service area population as the applicant have an annualized occupancy in excess of 90%.

      This criterion is not applicable to this project.

B. Occupancy and Size Standards:

   1. A nursing home should maintain an average annual occupancy rate for all licensed beds of at least 90 percent after two years of operation.

      This project proposes to have at least 90% annual occupancy after two years of operation for the proposed 50 bed project. The applicant notes its historical occupancy over the past four (4) years was 88.7%. In a small 30 bed Medicare SNF the difference between 90% occupancy and 88.7% occupancy is only 0.4 residents per day, which the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics verified. The applicant contends this is a negligible difference.

   2. There shall be no additional nursing home beds approved for a service area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 95 percent. The circumstances of any nursing home, which has been identified by the Regional Administrator, as consistently noncomplying with quality assurance regulations shall be considered in determining the service areas, average occupancy rate.

      Note to Agency Members: The criteria, as written, includes all nursing home facility beds not Medicare SNF beds in determining the average annual occupancy rate of 95% for all facilities with 50 beds or more. It is noted only 422 of the 4,124 or approximately 10% of Shelby County nursing home beds are Medicare SNF beds.

Based upon the Joint Annual Report of Nursing Homes 2011 (Final) the average occupancy for all beds in Shelby County was 84.5%. The average occupancy for those Shelby County nursing homes with 50 beds or more was presented by the applicant on page 2 of Supplemental #2. The applicant noted the 2011 occupancy data for these facilities was 84.7% and in 2012 using provisional JAR data was 88.0%. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics cannot verify JAR data that is not deemed final. The 2012 JAR nursing home data is provisional.

3. A nursing home seeking approval to expand its bed capacity must have maintained an occupancy rate of 95 percent for the previous year.

   The applicant reports its average annual occupancy for 2012 (see response to Item #2) was 88.7%. This is, in a facility the size of The Village of Germantown with only 30 beds, a difference of only 1.9 residents. The facility also must contractually provide these skilled care nursing services to its CCRC residents and must reserve sufficient beds for their use as they project they will admit 37 new residents to their CCRC and the current population of the CCRC are aging in place and will be more likely to need nursing home care in the future.

4. A free-standing nursing home shall have a capacity of at least 30 beds in order to be approved. The Health Facilities Commission may make an exception to this standard. A facility of less than 30 beds may be located in a sparsely populated rural area where the population is not sufficient to justify a larger facility. Also, a project may be developed in conjunction with a retirement center where only a limited number of beds are needed for the residents of that retirement center.

   The facility is currently licensed as a 30 bed nursing home. Therefore this criterion does not apply.

Campbell Clinic®
ORTHOPAEDICS

January 7, 2014

Health Services and Development Agency
Frost Building, 3rd floor
161 Rosa L. Parks Boulevard
Nashville TN 37243

To Whom It May Concern:

I am writing this letter in support of the CON request for The Village at Germantown's 20 bed expansion of their Skilled Nursing Facility. In my role as an Orthopedic Surgeon, I have worked closely with The Village at Germantown to transition my patients to a State of the Art Health Care facility that can provide a strong rehab program, as well as skilled nursing care. Currently with the license of only 30 beds that service their Retirement community of Independent Senior Citizens, as well, the availability of Skilled Nursing beds is quite limited for the Germantown, Collierville and Cordova area. The elder community expectations of Rehab care are much higher now days and The Village at Germantown has been a leader in those services for the Southeast Shelby County area.

Sincerely,

James L. Guyton, M.D.

JLG/ar

1400 South Germantown Road / Germantown, TN 38138
PH: (901) 759-3100 FX: (901) 759-3192 W: CampbellClinic.com

CITY OF
GERMANTOWN
TENNESSEE
1930 South Germantown Road • Germantown, Tennessee 38138-2815
Phone (901) 757-7200 Fax (901) 757-7292 www.germantown-tn.gov

December 16, 2013

Mrs. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Mrs. Hill,

It is my pleasure and privilege to support the request for The Village at Germantown to increase its skilled bed capacity by twenty beds.

The Village has the only non-therapy space for skilled beds in our city and is a critical part of the healthcare continuum in Germantown. As you will see from the letters of support, it is the primary discharge for hospitals in the area.

Additionally to meet the internal need of our Germantown citizens now living at and contracted with The Village, these additional beds are essential.

On behalf of our community, I would ask your thoughtful consideration of this request and respectfully ask your favorable vote to permit The Village to add this capacity.

Sincerely,

Sharon Goldsworthy

Sharon Goldsworthy
Mayor of Germantown, Tennessee

Methodist
Le Bonheur Healthcare

November 20, 2013

Mrs. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Dear Mrs. Hill,

I am writing in support of CON #CN1310-039. This is a request for the Village at Germantown to increase their skilled nursing bed complement by 20 beds.

As the only full-service hospital in Germantown, we work closely with all skilled nursing providers in our area. Like many communities, availability of high-quality, skilled beds is limited. The Village at Germantown is recognized by our physicians, our associates, and our patients and families as one of the best places for care. Unfortunately, this demand places them in a position of having limited availability on many occasions. This proposed expansion would greatly help with this situation.

I strongly urge the Board to approve this proposal. It truly benefits our county.

Sincerely,

William A. Kenley, FACHE
Senior Vice President/CEO

cd

Germantown Hospital
7691 Poplar Avenue • Germantown, Tennessee 38138-3983 • 901-516-6418 • www.methodisthealth.org